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## **Soviet Union**

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**WORLD ECONOMY &  
INTERNATIONAL RELATIONS**  
*No 2, February 1990*

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**Soviet Union**  
**WORLD ECONOMY & INTERNATIONAL RELATIONS**  
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21 June 1990

[The following are selected translations from the Russian-language monthly journal MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA published in Moscow by the Institute of World Economy and International Relations of the USSR Academy of Sciences. Refer to the table of contents for a listing of any articles not translated.]

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**World Economy & International Relations**

No 2, February 1990

**English Summaries of Major Articles**

904M00094 Moscow MIROVAYA EKONOMIKA I  
MEZHDUNARODNYYE OTNOSHENIYA in Russian  
No 2, Feb 90 (signed to press 16 Jan 90) pp 158-159

[Text] O. Bykov, in his article "The Concept of Peaceful Coexistence in the Context of New Thinking," writes that the international aspect of the historical process of our epoch is centered around the concept of peaceful coexistence, but not the theory of the inevitable split of the world into the systems confronting each other. In the modern contradictory, but interdependent and integral world the interests of the survival and progress of human civilisation are placed above all other, including class, interests.

The Second World War demonstrated the possibility of the interaction of states with different social systems. After the war, with the emergence of nuclear weapons, a radical transformation has occurred in the military sphere. The very possibility to use the means of mass destruction has engendered an unprecedented and real threat to the existence of civilisation. Common sense and the simple instinct of self-preservation prompted to pursue a course aimed at peaceful coexistence, but not a confrontation. For the first time an objective general human interest in ensuring global security has come into being.

Perestroika in our country, a course to the renovation of socialism, and the development of new political thinking have opened broad vistas to revealing the enormous positive potential of peaceful coexistence. The creative development and enrichment of the concept of peaceful coexistence is a major component of new political thinking. It is now recognized as the highest universal principle of relations between all countries without exception.

The article "The Image of Man in Political Economy" by V. Avtonomov points out that no economic theory can get along without a "working model of man." The main components of this model should be: 1) the motivation, or the purposeful function of man's economic activity, that is, an idea about ends and means; 2) a definite idea about the physical and, what is more important, intellectual possibilities of man, his competence and knowledge. The concept of the "Soviet economic man" is of great interest not only to political economists, but also to practical workers implementing the economic reform. For this it is necessary to have a developed economic sociology, which we now do not have.

The "Soviet economic man" differs considerably from his Western counterpart. The purposeful function of the former is of a dual nature. He works for the state as a universal employer, and for himself. The income and other benefits received by him from his work for the

state, as a rule, depend rather weakly on his contribution. This is why he expends comparatively little effort in this sphere. But the purposeful function of the Soviet working person has a much more pronounced group nature than that of his Western counterpart. The feeling of group affiliation and solidarity within the framework of a workteam completely ousts any rivalry. To strive to work better than one's colleague is considered unethical. At the same time collectivism urges each member of the group to defend other members and the group as a whole from the encroachments of the higher-ups, consumers, suppliers, and others. Of course, a portrait of the "Soviet economic man" needs a greater elaboration, and more details about him will help us create a theory adequately describing the Soviet economy.

In an article "Are Negotiations on Tactical Nuclear Weapons Possible?" S. Kortunov writes that the West's unwillingness to start even preliminary consultations on the question could be explained by a tight knot of various European and world problems—military, political, economic, and moral-psychological connected with the overcoming of deep-seated stereotypes of thinking and emotions accumulated over the years of the cold war. The heart of the matter lies in that tactical nuclear weapons is an inalienable element of the political structure that has taken shape in Europe during the postwar period. It would be unproductive to search for an answer to the question who was to blame for the present situation—East or West. The point is to conduct thorough negotiations on the questions involved. The situation now differs from what it was in 1983, when the East-West dialogue on the problems of disarmament was practically frozen. The Soviet-American Treaty on medium- and shorter-range missiles has been signed, talks are going on on a reduction of conventional armed forces in Europe, and the Soviet Union is effecting large unilateral reductions of its armed forces and armaments in Europe. Although there are still serious differences between NATO and WTO countries on the question of negotiations on tactical nuclear weapons, the positions of the two sides have now drawn somewhat closer. The moment when NATO and WTO countries start negotiations on this problem could, apparently, be considered a turning point in the history of Europe and the world as a whole.

I. Bushmarin in his article entitled "Modern Capitalism: Development of Labour Resources of Creative Type" writes that capitalism in the epoch of the scientific and technological revolution puts new demands to workforce. During the 1980s a new philosophy of economic development was established in the business world of the United States, Japan and other industrial capitalist countries. Its main premise is the thesis of the decisive role of the human factor in the operation of companies and enterprises. Each one of them is now interested in having as many workers with analytical abilities and capable to search for the new and transform the old as possible.

Thorough scientific knowledge and a high level of general culture are indispensable conditions of creative activity today. Since the mid-1970s, along with the entering of the capitalist economies into the second stage of the scientific and technological revolution and deep-going transformations in the system of the productive forces, elements of creative work have gradually been penetrating into almost all types of professional activity. A distinguishing feature of the economic development of the leading capitalist countries is a trend towards raising the culture of economic activity. Doubtless, the growing intellectualization of labour and mass involvement of working people into the development of the productive forces radically change the essence of labour activity as such. The new conditions of the reproduction of labour resources predetermine the intellectual and ethical shifts in society's life and lead to a restructuring of public consciousness.

"How Should the Political Culture of Society Be Changed?" is the title to a dialogue between one of the leading British Sovietologists, Professor Archie Brown of Oxford University, and Professor German Diligensky, Editor-in-Chief of this journal.

Professor Brown holds the view that political culture changes very slowly. True, now we witness a period in history when the rate of change in political culture has become more rapid. The emergence of a number of completely new political institutions, changes that have taken place in some old ones, and an enormous increase in the volume and a rise in quality of political information available to the broad public are bound to lay a deep imprint on the political culture of the Soviet population, especially young people.

Professor Diligensky agreed with this view. But, he added, an unprecedentedly sharp confrontation of the opposite systems of political values is being observed in this country. It seems to him that today the confrontation between different views and trends in Soviet social thought, journalism and literature is even more bitter than between socialist and bourgeois ideology.

Professor Brown emphasised the very rapid pace of the democratization process in the USSR, calling it an unprecedented achievement by world standards.

"Perestroika: the Current Situation" is the title of an article written by Gerard Wild, the Head of the Department of Socialist Economy at the Research Centre of Information and Forecasting attached to the General Commissariat on Planning (France). The author writes that there has been no real onslaught against centralised planning. In the economic sphere as such the Soviet leadership has been following the logic of outflanking obstacles. There is no doubt that most working people are interested in changing the order of things. But they lived under dictatorship for such a long time and the force of inertia is so strong that it is not easy for them to

change their attitude to work and unwillingness to display initiative. The present situation is also often connected with the clandestine opposition of the conservative circles to perestroika, for they are afraid of losing their privileges.

Commenting on G. Wild's article, the Soviet economist V. Kuznetsov pays tribute to his thorough knowledge of the problems he discusses. He is one of those Western experts who are distinguished by a broad approach to the economic and socio-political parameters of Soviet realities.

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## PROBLEMS OF INTEGRAL WORLD

### Concept of Peaceful Coexistence in Context of New Thinking

904M0009B Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNNYE OTNOSHENIYA in Russian No 2, Feb 90 (signed to press 16 Jan 90) pp 5-17

[Article by Oleg Nikolayevich Bykov, corresponding member of USSR Academy of Sciences, doctor of historical sciences, and deputy director of Institute of World Economy and International Relations; passages in boldface as published]

[Text] Analytical investigations of peaceful coexistence have risen to the level of accurate interpretations of the realities of today's world and the objective needs of humankind in recent years. There has been a genuine breakthrough: The concept of peaceful coexistence has broken out of the rigid confines of the intergovernmental relations of the socialist and capitalist structures and is now being measured in terms of a broad range of parameters pertaining to all civilized relationships.

An examination of the following aspects of the concept of peaceful coexistence could promote further advancement in this constructive direction.

First of all, the specific historical justification, as well as the limitations and internal contradictions, of the structural approach to questions of coexistence in the past.

Second, the assignment of universal significance to the principle of peaceful coexistence and its importance in world politics and in the different elements of the present structure of international relations.

Third, the prospect of the evolution of peaceful coexistence into more advanced forms of international interaction, leading to the creation of an integral and civilized world community in the future.

### I

The chief imperative of the international aspect of the historical process in our era can be found in the concept

of peaceful coexistence, and not in the theory of the inevitable division of the world into opposing systems and the certainty of class confrontations in the international arena for the purpose of the replacement of capitalism with the new socialist socioeconomic structure on the global scale. In today's contradictory but interdependent and increasing integral world, the interests of human survival and progress are at the top of the list of the priorities of the world community—occupying a place higher than any other interests, including class interests.

The internal conflict between the two largely incompatible policy lines of peaceful coexistence and world revolution dates back to the beginning of Soviet foreign policy. The original architects of this policy saw the October Revolution as the beginning of the swift and inevitable collapse of the capitalist system and the triumph of socialism throughout the world. As consistent opponents of the exploitation of some people by others and of aggressive wars and the enslavement of nations, they regarded liberation from class oppression and liberation from the evils of war as interrelated objectives which could be attained simultaneously in the process of the revolutionary renewal of the world. This view of the future eliminated the need to consider ways of establishing long-term relationships with the bourgeois states. In this atmosphere of revolutionary romanticism, the intense desire to straighten out the course of history aroused not only hatred of the outside world, where capitalism continued to prevail, and not only unconditional expectations based on the fatal inevitability of its disintegration, but also the adventuristic hope of accelerating this disintegration by means of the "export of revolution," which reached its height when "revolutionary wars" were started for the purpose of destroying the worldwide system of brutality and oppression and establishing a fraternal alliance of free nations.

Reality turned out to be much more complicated and much less pliable than it had seemed to be at the start of the revolutionary journey. The road to the desired goals which had seemed to be so close was blocked by insurmountable obstacles.

The main forces of the Old World, represented by its largest states, took an openly hostile stance against the newborn Nation of Soviets. Their class prejudices dictated the violent overthrow of the emerging socialist system. War for this purpose seemed "natural," completely feasible, and even desirable to them. The old structure launched a counteroffensive. When the revolutionary events were just beginning in Europe, the young Republic of Soviets was already facing the completely real threat of annihilation by the superior forces of imperialism. Soviet Russia had to make a choice: It could either fight a war in the hope that these forces would be shattered by revolutionary upheavals, which still could not be predicted with any certainty, or it could try to establish some kind of peaceful relationship with the bourgeois states and find some kind of modus

vivendi. As the revolutionary waves in the West subsided and capitalism regained its stability, the vital need to secure the necessary conditions for the existence of what was still the world's only socialist state in hostile surroundings became increasingly evident. The need to protect and preserve the revolutionary gains in Russia necessitated an objective analysis of the existing situation, no matter how much it differed from the desired one.

Lenin realized this earlier than others did. After conducting a thorough study of the existing state of affairs, the balance of power, and the requirements of social development, he substantiated and proved, on the one hand, the inevitability of the simultaneous existence of states with different social orders for a long time, and, on the other, the desirability, from the standpoint of the interests of nations, and practical possibility of their peaceful coexistence or, as he termed it, "peaceful cohabitation."

This was an outstanding contribution to the theory of Marxism and to the practice of revolution, but the idea of peaceful coexistence with the capitalist states as the basic principle of foreign policy was not accepted immediately or unconditionally in the party and country. The appeal of the simplistic line of reasoning was too strong, and the new concept was too unusual. The main reason, however, was the exceptional complexity, or even the uniqueness, of the historical situation itself.

The Leninist theory of socialist foreign policy came into being, developed, and acquired new features in the tense atmosphere of fierce civil war, foreign military intervention, economic and diplomatic blockades, and economic chaos. At that time, the survival of the newborn socialist state was naturally the primary objective. It needed a respite. It needed at least a temporary truce with the states which were willing to agree to this.

Nevertheless, from the very beginning the peaceful aims of the Leninist foreign policy were not the result of only transitory and tactical considerations. Although Lenin was fully aware that the world had been split into two opposing systems, he did not confine his analysis to the class-related bipolarity of the post-October era. He based his ideas on a thorough understanding of the dialectic of the world historical process, which included conflict as well as the possibility of common state interests in spite of the differences in social orders. Lenin did not regard the revolutionary renewal of the world as a substitute for the development of human civilization as a whole. The class antagonism between the new and old structures did not cause him to lose sight of the possibility and even the inevitability of their joint existence on the same planet for a long time. The possibility of the peaceful coexistence of states with different social orders as sovereign participants in international relations is based on a certain level of common interests, which can also be present in their political relations, and particularly in their trade and economic contacts, without affecting the bases of the social orders.

Lenin's ingenious hypotheses became the theoretical foundation and also the practical basis of the long-range Soviet foreign policy aimed at the consolidation of the October conquests and the construction of socialism in capitalist surroundings. When Soviet Russia emerged from the grim and bloody period of armed struggle against internal and external enemies and began treating its economic disorders with the new economic policy, Lenin's ideas about the establishment of relations with the states of the other social system on the permanent and lasting basis of peaceful coexistence began to be translated into the language of action. The practicality and consistency of this policy line paved the way for the normalization of relations with an increasing number of capitalist states. The objective was no longer a respite or truce, but a lengthy period of parallel existence by what was still the only socialist state with the states of the other system.

Even the subsequent development of Soviet foreign policy toward the capitalist states, however, was a far from smooth process: The acknowledgement of the expediency and even the inevitability of parallel existence was accompanied by continued adherence to the original goal of the revolutionary reconstruction of the world on a single socialist basis. The capitalist order was invariably viewed in the most simplistic terms—as nothing more than a parasitical, decaying, and dying order heralding the dawn of the socialist revolution. The ability of capitalism to continue developing and to adapt to changing internal and international conditions was ignored. The vision of a structure consumed by crisis and preparing to exit the historical stage led to a belief in the inevitability of wars and revolutions which would bring about the triumph of socialism throughout the world in the near future.

When this conceptual dualism was embodied in foreign policy practices, it intensified the class-related bipolarity of international relations at a time when ruling circles in the capitalist states already had a skeptical view of the idea of "peaceful cohabitation," and when the most belligerent of them rejected it outright and were planning the violent destruction of the emerging socialist system. They were motivated by class prejudices, reinforced by feelings of economic and military superiority.

The introduction of the principles of peaceful coexistence into the relations between states with different social orders was also complicated by the peculiar model of socialism involved in the confrontation with capitalism—Stalin's totalitarian, authoritarian, repressive, and antidemocratic model of socialism. This kind of socialism was not receptive to constructive international communication. The prevailing besieged-fortress mentality, the confined nature of a society devoid of democracy, the spiritual autarchy, the isolation from other nations, the suspicion and apprehension—all of these helped the instigators of the "crusades" against socialism to create an enemy image of us. Even contacts with the bourgeois-democratic, liberal forces in the West, which had shown an interest in developing relations with the

USSR on the basis of peaceful coexistence between the wars, were severely complicated.

The military threat posed by the aggressive German-Japanese-Italian bloc had been growing since the beginning of the 1930s and objectively predisposed the Soviet Union and the bourgeois democracies in the West to establish a system of collective security. This was a real opportunity to embody the main principle of peaceful coexistence—the prevention of war—in concerted action.

This never happened. The chief policymakers in England and France at that time chose the line of duplicity and the appeasement of the aggressor. The foreign policy line of the USSR was far from consistent, revealing a shortage of persistence and flexibility in the search for mutually acceptable solutions. As for the Soviet Union's convergence with Hitler's Germany just before World War II and in the initial stages of the war, it cannot be described as anything other than a flagrant distortion of the very meaning of peaceful coexistence and as a sign of the Stalinist leadership's contempt for the elementary moral standards of world politics.

Fascist Germany's attack on the Soviet Union was an attempt to settle the historical dispute between the two systems once and for all by military means. This attempt to reverse the course of history was a disgraceful failure. After the war was over, the alignment and balance of forces in the world had changed in favor of democracy and socialism at the expense of imperialist reaction and militarism.

Nevertheless, World War II provided cogent evidence of the possibility of interaction by states with different social structures. It would be difficult to overestimate the importance of the experience of building the anti-Hitler coalition and of working together within it, even though the experience could not be categorized as "peaceful coexistence" in the literal sense. Our joint actions with the United States, England, and the other Allied countries were not undertaken in peacetime, but at a time of war against a common enemy.

In the postwar years the world changed beyond recognition. The influence of forces for social and national liberation grew stronger. The world socialist system came into being. Colonial empires collapsed, and many young sovereign states made their appearance. The increasing activity of the popular masses and of peace movements began to have a perceptible effect on international relations.

The appearance of nuclear weapons led to a genuine revolution in the military sphere. The very possibility of using weapons of mass destruction engendered the real threat of the end of civilization, a threat unprecedented in all human history. Common sense and the mere instinct for self-preservation dictated the line of peaceful coexistence instead of confrontation. The danger of universal annihilation "equalized" the opposing socio-economic structures, states with different social orders,

and all classes—even the antagonistic ones. An objective common interest in the guarantee of global security was evident for the first time. The increasing internationalization of economic affairs under the influence of the scientific-technical revolution and the appearance of problems of global dimensions propelled events in the same direction.

As a result, the objective content of the intergovernmental relations of socialism and capitalism in the world arena began to acquire new features. The struggle and conflicts caused by the differences in the social nature of states were gradually supplanted by signs of increasing interdependence and incentives to cooperate on the basis of common or coinciding interests, especially in the prevention of nuclear war. By the same token, the policy of peaceful coexistence ceased to serve only as a way of postponing war and became a precondition for the elimination of the very possibility of war. The condition of its continued existence in the system of international relations, which was originally necessary only to socialism, turned into an essential condition for the survival of a world distinguished by divergent but interrelated classes.

The implementation of the new and favorable objective prerequisites for the development of peaceful coexistence, however, depended largely on a subjective factor: on the ability of different social forces—classes, states, parties, governments, and politicians—to make objective assessments of changing realities and the fundamentally new situation in international affairs and to plan their foreign policy strategy accordingly. The history of the first postwar years reveals that traditional thinking prevailed once again.

The hegemonic ambitions and imperious claims of U.S. ruling circles, which were reflected in tangible form in the escalation of the arms race, in attempts to use the atomic monopoly as a means of securing world dominion, in the hasty construction of military blocs, and in the refusal to consider the legal interests of the Soviet Union and other socialist countries, intensified the friction in the relations between the states of the two systems. The "cold war" which broke out between them, and which was accompanied by "hot" local wars, virtually precluded peaceful coexistence.

In addition, the Stalin cult of personality did much to inhibit the constructive development of the idea of peaceful coexistence. The intense distortions of socialism in the USSR undermined its international prestige as a peaceful power. Its image grew more and more grim and menacing in the eyes of many people in the outside world.

The duality in the Soviet Union's approach to the problem of peaceful coexistence continued to exist and even grew more pronounced in the postwar years. The profound shifts in the balance of power in the world arena were viewed as favorable conditions for broad-scale confrontation with imperialism. This relegated

peaceful coexistence to the secondary position of a tactical means of achieving Stalin's strategic goal of "eliminating the inevitability of war by destroying imperialism." In spite of the qualitatively new realities, the tenacious belief in the inevitability of wars between capitalist countries for the benefit of socialism lived on. The growth of the democratic and national-liberation movement was seen primarily as a way of undermining the military-strategic positions of imperialism and strengthening the self-same military-strategic positions of socialism. As a result, the confrontational tendencies in Eastern policy and the West's efforts to intensify friction and escalate the arms race stimulated each other in a negative form of interaction.

The inconsistency in the theoretical interpretation and actual implementation of the concept of peaceful coexistence was not surmounted completely in the post-Stalin period either. Whereas Stalin had cut himself off from the outside world with the "iron curtain" and predicted the "evolution of the struggle for peace into a struggle for the downfall of capitalism," Khrushchev may have opened the curtain slightly but he never concealed his intention to "bury" the capitalist order as a structure history had condemned to death. Although the truly historic 20th CPSU Congress revised the obsolete hypothesis regarding the fatal inevitability of war and defined the policy of peaceful coexistence as the general line of Soviet foreign policy, the postulate that a new world war would create a situation in which "people will no longer tolerate an order which has plunged them into devastating wars and will sweep imperialism out of existence and bury it"—in spite of the obvious fact that the nuclear holocaust would consume all mankind, irrespective of class distinctions—remained unshakable for another three decades. The thesis reducing peaceful coexistence to "a specific form of class struggle in the international arena" continued to enjoy the rights of an ideological axiom and negated the very essence and purpose of peaceful coexistence.

It is impossible to expand the sphere of influence or enhance the effectiveness of peaceful coexistence by attempting to reconcile the irreconcilable. Its vital strength stems from the objective common interests of states with different social orders. Attempts to subordinate these supra-class common interests to class interests, or, more precisely, to egotistical national interests and even to imperious ambitions, can only hurt the cause of peaceful coexistence. Although we must assign the United States and its allies their full share of the blame for the confrontations, it would be difficult not to admit that our behavior was often a "mirror image" of theirs. Further evidence of this can be seen in our efforts to build up our military strength beyond the level necessary for defense after strategic parity had been achieved, and in our actions in Eastern Europe, the Caribbean, and Africa, and the particularly graphic evidence we provided in Afghanistan.

## II

The colossal positive potential of peaceful coexistence was not revealed in its entirety until the beginning of perestroika in our country and of the efforts to renew socialism and develop the new political thinking. In the context of the principled reassessment of the fundamentals of our international policy, in line with the realities of today's world, in the documents of the 27th CPSU Congress, the 19th Party Conference, CPSU Central Committee plenums, congresses of people's deputies, and USSR Supreme Soviet sessions and in speeches by M.S. Gorbachev and other party and government officials, the concept of peaceful coexistence was also reviewed from the standpoint of common human values.

First it was cleansed of the restraining and deforming accretions of earlier political thinking. The possibility that only capitalism might be destroyed in a nuclear world war and the narrow class interpretation of the functions of peaceful coexistence in international affairs were discarded because they did not agree completely with established facts. This was followed by the emphatic statement that the nuclear age had imposed a rigid limit on class confrontation in the international arena—the threat of universal annihilation.

The Leninist principle of peaceful coexistence emerged from the depths of the class policy of the triumphant proletariat in Russia and then made its way through incredible difficulties and obstacles to its widespread recognition as the only reasonable method of international communication in the nuclear age and acquired genuine significance as a common human value. Peaceful coexistence, which had once been a means of ensuring a new social order's survival in hostile surroundings, became a means of ensuring the survival of the entire human race under the threat of self-annihilation.

The creative development and enrichment of the concept of peaceful coexistence constitute one of the important elements of the new political thinking and the new approach to the vital issues of our time. Peaceful coexistence, which had served as the principle of intergovernmental relations between socialism and capitalism from the time of its birth, is now viewed as the highest universal principle of the interrelations of all states without exception.

It would be difficult to overestimate the tremendous theoretical and practical significance of this fundamental shift in our political thinking. It signifies more than just the geographic expansion of the sphere of application of the principle of peaceful coexistence, although this is an exceptionally important aspect of the democratization of international relations, because peaceful coexistence is viewed as something like the common denominator of the interests of not only socialist and capitalist states, but also all other states, including, of course, the states of the "Third World."

The main purpose of universalizing the principle of peaceful coexistence was to move it into a fundamentally different system of coordinates—out of the sphere of structural interrelations to the sphere of civilizational interrelations. This transformation was necessary long ago. After all, it is precisely the civilizational, and not the structural, criteria that determine the main content of intergovernmental relations in our day. Of course, there were objective, historically determined reasons for taking the intergovernmental relations of the socialist and capitalist structures out of the global context of basically civilizational intergovernmental relations, but this kind of separation is clearly an anachronism in today's increasingly interdependent world. Furthermore, when the interrelations between socialist and capitalist states were kept within interstructural confines, they did not fit into the overall picture of global civilizational relations.

The acknowledgement of the universality and supremacy of the general civilizational criterion in defining the main content of the updated concept of peaceful coexistence essentially brings it in line with the realities of today's world. In this way, the original internal contradiction of peaceful coexistence, stemming from its incompatibility with class struggle in the international arena for the purpose of replacing the old socioeconomic structure with a new one, is eliminated, or, more properly, is removed from intergovernmental relations.

The fundamental importance of the conclusion regarding the civilizational nature of the relations of peaceful coexistence also suggests the need for the further elaboration of the general theory of international relations as a whole. If intergovernmental relations represent their central and decisive link, and if they have to be based exclusively on the common civilizational principles of peaceful coexistence, why have these principles not been extended to the interrelations of other participants in international relations—political parties and social movements and organizations? Is it realistic to reserve some kind of special zones for them in international affairs, in which they can be guided primarily by structural rather than civilizational criteria? More specifically, is the transfer of the ideas of class confrontation from the intra-societal and intra-governmental sphere to the international sphere consistent with the universal significance of the ideas of peaceful coexistence?

The answers to these questions cannot be categorical. It would be difficult to prove the lack of mutual penetration by structural and civilizational areas of social activity, internal and international development, or ideology and foreign policy. Nevertheless, in the context of the new political thinking, the further universalization of the principle of peaceful coexistence and its extension to the entire system of contemporary international relations, and not just to intergovernmental relations, seem quite promising. The civilizational vision of international development as a single process of the coordination of diverging and even conflicting interests by peaceful political means predetermines the inclusion of

all participants in world relations in this process, regardless of their structural differences. For all of them, without any exceptions whatsoever, the general rule of behavior should be constructive cooperation based on common human values, and not hostile confrontations.

The expanded, civilizational interpretation of peaceful coexistence also requires a new view of it from the standpoint of the content and nature of interrelations between states of less than global scales. The extremely important shifts in intergovernmental relations will also have to be viewed from a new vantage point within each of the elements of the present structure of international relations.

**Between socialist countries:** Their characteristic type of interrelations will not be "lowered" to the level of interrelations with capitalist countries. Retaining everything positive connected with the fact that they belong to a single structure, the socialist countries will broaden the range of their relations considerably and raise them to a higher level. They will gain features which were previously characteristic of our relations with capitalist countries, namely the renunciation of the use of force or threats of force as a means of settling disputes, and the resolution of conflicts by means of negotiation; non-interference in internal affairs, and the consideration of one another's legal interests; the right of people to decide their own future; unconditional respect for sovereignty, territorial integrity, and the inviolability of borders; cooperation based on complete equality and mutual benefit; the conscientious fulfillment of obligations stemming from the common principles and standards of international law and international treaties.

Some of these requirements were not only declared, but also observed in inter-socialist relations. Unfortunately, however, this was not true in all cases. Everyone remembers the events of 1956 in Hungary and of 1968 in Czechoslovakia. Forceful methods consistent with the notorious "Brezhnev doctrine" often prevailed when crises arose in relations with allies. The resolute renunciation of this perversion of Soviet policy as a direct result of perestroika processes will keep our relations with socialist countries and other friendly states free of the negative features which were virtually never present in our relations with capitalist states.

Besides this, the universalization of the principle of peaceful coexistence is needed by other socialist countries for the prevention or elimination of critical aggravations of their relations with countries other than the Soviet Union. Experience has shown that their relations with each other are not insured against aggravations of this kind.

**Between socialist and developing countries:** In our earlier foreign policy hierarchy, these relations stood just below fraternal inter-socialist relations on the "friendly" level. These relations, however, were also inclined to suffer from exposure to our policy. The entry of Afghanistan by Soviet troops provides sufficient evidence of this. Strict

mutual adherence to the principle of peaceful coexistence will be a guarantee against repetitions of the earlier grave errors which had such a damaging effect on our relations with developing states and the countries of the capitalist world. The extension of the principle of peaceful coexistence to the "Third World" will also be exceptionally important in acknowledging the equality of these states to all other members of the world community. It will be combined organically with the principles of Bandung, the Non-Aligned Movement, and the Delhi Declaration.

**Between socialist and capitalist countries:** Although there will be no visible change in the status of these relations, the globalization of the sphere of application of the principle of peaceful coexistence will put these ties in a different international context. Their development on the basis of peaceful coexistence will be assessed not only within their own framework, but also in relation to all other interaction in the international arena as a whole. In this sense, the departure from the "exclusivity" of the peaceful coexistence of socialist and capitalist governments will benefit them and the rest of the world community.

**Between capitalist and developing countries:** There will be an urgent need to introduce the principle of peaceful coexistence into these relations after the period of the national liberation struggle and the establishment of the young sovereign states comes to an end. Peaceful coexistence will protect the newly liberated countries from outside encroachments by the capitalist states. It will strengthen their independence, sovereignty, and national dignity.

**Between developing countries:** The establishment of the principle of peaceful coexistence not only in the relations of developing countries with socialist and capitalist countries, but also with one another is acquiring increasing importance in view of the pronounced differences in the "Third World" which could lead to instability and conflict. Peaceful coexistence will be an essential condition for the prevention of conflicts, for the political settlement of disputes between states in this vast part of the world, and for the resolution of regional conflicts and the prevention of their escalation to the global level.

**Between capitalist countries:** The application of the principle of peaceful coexistence to this type of interrelations sounds odd, especially when we remember the earlier dogmatic predictions of unavoidable wars within the capitalist world. Nevertheless, this principle is completely consistent with the essence and nature of the intergovernmental relations of contemporary capitalism. In spite of all their internal and external conflicts, the interests of mutual dependence and stability prevail in virtually all relations in the capitalist world. The use of the term "peaceful coexistence" in reference to inter-capitalist relations is only a confirmation of the current state of these relations.

The establishment of the principle of peaceful coexistence everywhere as a common and universally observed standard of intergovernmental relations will be promoted by the current intensive process of the improvement of world relations. The emergence from confrontation, the reduction of the danger of war, the development of political dialogue, the start of real disarmament, the consolidation of international security, the creation of an atmosphere of trust, the political settlement of regional conflicts, and the expansion of mutually beneficial cooperation are all adding a wealth of meaning to peaceful coexistence and laying a solid foundation for its transformation into the prevailing trend in international relations.

### III

The move of the concept of peaceful coexistence from the structural to the civilizational phase of its gradual development was the result of rapidly changing realities and the renewal of political thinking, and it will solve many old theoretical and practical problems while immediately giving rise to new ones—and fundamental ones, at that. They concern the basis of the very idea of peaceful coexistence in its new dimension and its direct and reciprocal ties with its historical surroundings. How can the new concept of peaceful coexistence be compared to the traditional concept, a salient characteristic of the modern era, as stages in the transition from capitalism to socialism and communism? Can we expect the productive development of the civilizational model of peaceful coexistence if we adhere to the postulate of the rigidly determined replacement of the old order by the new one within the boundaries of a specific period of time? Will we not once again be at the mercy of an old and unresolved contradiction, even if we are equipped with an updated concept of peaceful coexistence?

There are grounds for this kind of apprehension. The development of the concept of peaceful coexistence was once restricted by the rigid class approach to the theory. Now, however, the common human interpretation of peaceful coexistence is wholly inconsistent with the now classic definition of our era as the "era of transition." If this description does correspond to the realities of contemporary world development, there could not be any positive interaction in world affairs by the states of the departing old structure and the states of the new structure replacing it.

The reassessment of the nature and basic content of the contemporary era is a separate theoretical task of colossal scales. The task must be taken on by all of the social sciences. Any "adjustment" of a new definition of our era to fit the new definition of peaceful coexistence would be out of the question. The opposite would certainly be more logical—i.e., the derivation of the essence of international relations in our day from the general trends in world development. As it happens, however, the conceptual breakthrough took place first in the theory and practice of international relations due to the quicker renewal of our foreign policy in comparison

with internal perestroika processes. In any case, the new concept of peaceful coexistence has already contributed a great deal to the elaboration of a broader theory of contemporary history, including the updating of all our ideas about the development patterns of socialism, capitalism, and "intermediate" or "transitional" structures and about the main conflict of the era.

The unique "reciprocal effect" of the new interpretation of peaceful coexistence on the definition of the nature and basic content of the era helps to reveal the superiority of its civilizational parameters and the limited nature, or even the inapplicability, of purely structural criteria. The civilizational concept of peaceful coexistence has also made substantial adjustments in the interpretation of the essence of all historical development from the standpoint of its global integrity, continuity, and perpetuity. Finally, the supra-structural updating of the concept can help in forecasting multidimensional and multifarious social development—both in the foreseeable future and in the period far beyond the visible historical horizon.

The deep penetration of the essence of the historical process has already been launched from the present frontiers of the new political thinking. It has led to the tremendously important conclusion that mankind cannot secure its future in an atmosphere of permanent conflict and that the confrontations between the two systems can no longer be regarded as the main tendency of the contemporary era. To a considerable extent, this resolves the old internal contradiction in the concept of peaceful coexistence by taking the question of "Who will do what to whom?" out of the confrontational sphere. If it is true that our era is one of transition, the foreseeable future should be forecasted primarily in civilizational rather than structural terms.

In light of this kind of forecast of the mainstream of human development, our era does represent a "transition," but not from one structure to another on the global scale or even in the most highly developed countries, but from a still fragmented world, from a world divided into opposing systems, to an integral civilized world community with the retention and even the intensification of its socioeconomic and political diversity. The introduction of the universal principle of peaceful coexistence, on the solid basis of the common interest in the survival and progress of mankind, into the practice of international affairs should provide strong momentum for uninterrupted advancement in this direction.

This statement might sound paradoxical at first. If mankind is entering a peaceful period in its history, is there any need to pursue the policy of peaceful coexistence? What is the point, if confrontation will soon be a thing of the past?

The world situation and the prospects for its development in the foreseeable future testify that it is still too early to consider giving up the principle of peaceful coexistence. Although it has essentially completed its

mission if this is measured in terms of its original inter-system capacity, in its new universal capacity it still has much to do, and in all probability this will take a long time. After all, an instantaneous move to peace is impossible.

Disuniting and destabilizing tendencies will still be part of the general picture of international relations for a long time. It will not be easy to surmount the legacy of confrontation, to accomplish the mutual dismantling of the cumbersome structures of military confrontation, or to establish international security and trust. Furthermore, it is quite probable that new disagreements will arise. They might be the result of differences in the foreign policy views of states (and not only, or perhaps not so much, along East-West lines as along different international political lines) and the differences in the dynamic internal development of different countries. Complications in international affairs could give rise to the unwillingness or inability of certain countries to become involved in building an integral world community in connection with such parameters as democratization, the protection of human rights, accessibility to the outside world, demilitarization, economic effectiveness, scientific and technical progress, and the resolution of acute social, ecological, and ethnic problems and many other problems which were previously considered strictly internal. This also applies to participation in the joint resolution of global problems—environmental protection, the intelligent use of the planet's resources, and the elimination of hunger, disease, illiteracy, and economic underdevelopment.

All of this predetermines the dual function of the new model of peaceful coexistence: On the one hand, it must secure comprehensive international stability in an atmosphere of dynamic and profound changes in today's world, and on the other, it must promote interaction by states and people in their progression along the road to an integral world.

Of course, we could argue about the very term "peaceful coexistence" and about its suitability or unsuitability to perform its new function. Judging by all indications, we will soon have to search for a new term, although we must not forget the possible negative consequences of giving up a positive concept of long standing. Without excluding the possibility of the terminological clarification of the new form of peaceful coexistence in the future, it would certainly be useful to concentrate now on the disclosure of its real implications in all of its aspects.

**Aspect of common security:** Its core is the gradual elimination of the danger of war by means of disarmament, political dialogue, the settlement of international conflicts, the normalization of intergovernmental relations, and the establishment of lasting law and order throughout the world. Besides this, the emphasis is being shifted from the mere prevention of war to the establishment of a comprehensive set of guarantees to exclude the very possibility of war—both nuclear and conventional—on the global or lower levels. This immediately

opens up many interrelated areas in the development of peaceful coexistence, including the following:

The demilitarization of international relations by reducing arms and armed forces to the level of reasonably sufficient defense, the renunciation of power politics, and the further reduction and subsequent complete elimination of military confrontation;

The creation of global and regional systems of security based on a balance of the interests of all sides for the prevention of conflicts and international instability in place of the system of mutual intimidation and deterrence that took shape during the period of confrontation;

The guarantee of international stability during abrupt changes in the political climate as a result of stormy events in various countries and shifts in the interrelations of states;

The de-ideologization of intergovernmental relations—or, more precisely, the elimination of the heavy burden of confrontational ideology and psychological warfare—and the guarantee of conditions for the free competition of ideas in the spirit of mutual tolerance, pluralism, humanism, and common human values;

The establishment of an international system of emergency mutual aid in the event of natural disasters, industrial and transport accidents and disasters, and any other life-threatening situations, and a joint struggle against terrorism;

The establishment of a legal basis for relations between states to guarantee the freedom of sociopolitical choice, the sovereignty and independence of all, and the strict observance on the international level of the ethical and legal standards characteristic of relations between civilized people;

The reinforcement of the role of the United Nations and other international peacekeeping mechanisms and the guarantee of their effective interaction with the peace-making efforts of all states.

**Aspect of constructive cooperation:** It consists in the truly inexhaustible resources of the productive development of peaceful coexistence and its transformation into something more integrating than present-day international cooperation. In essence, this could mean the peaceful co-development of various socioeconomic and political entities in closer interaction and the intermeshing of their constructive international activity with their consistent internal development. The role of peaceful coexistence in the promotion of this constantly growing global process would be difficult to overestimate. It is necessary as its catalyst in several specific areas of international affairs, including the following:

The joint establishment of a truly international world economy, which would assist in the stable development of each country on an equal basis, its inclusion in international division of labor and in the world process

of economic development, and the intelligent use of its resources and mutually beneficial access to the resources of other countries;

The guarantee of mutual benefit from economic, scientific, and technical interaction with the preservation of structural diversity and its use to stimulate healthy competition and stronger partnership;

Cooperation in the resolution of global problems, from the protection of the environment to the elimination of hunger, disease, and drug addiction;

Mutual aid in the event of internal socioeconomic difficulties and crises in the world economy and the joint correction of economic underdevelopment;

The establishment of favorable international conditions for the synthesis of everything positive generated by various systems for the common good;

The wide-ranging and free exchange of cultural achievements and spiritual values and the creation of an atmosphere of common human solidarity;

The interaction of countries and people in the guarantee and defense of human rights all over the planet in their entirety and the investment of the ideas of peaceful coexistence, cooperation, and co-development with their main, humanitarian purpose.

Looking into the not so distant future, we can be almost certain that the model of peaceful coexistence that is taking shape at this time, and which is expected to secure the transition to an integral world community, will undergo substantial further evolution. The vigorous interaction and comprehensive mutual enrichment of two global tendencies—the consolidation of security and the expansion of cooperation—could give rise to a qualitatively new trend in world development. It would be an organic combination of the universal code of civilized behavior in international affairs and the intermingling of intra-societal and worldwide civilizational processes. The peaceful and constructive era in the history of mankind will pave the way to the dialectical unity of world diversity.

We can certainly ask whether all of the states which now maintain relations of peaceful coexistence with one another are ready to move together toward this alluring but elusive goal. Although the objective prerequisites for common human progress do exist, could the influence of the grim legacy of confrontational thinking and behavior interfere with the use of this historic opportunity? Could inert internal and international structures and deeply ingrained egotistical interests block the way?

There is the temptation to dispel all of these doubts with a single wave of the hand, but the dynamics of world development cannot be predicted from a standpoint rigidly determined only by objective factors. The role of subjective factors is too great, and even if they cannot

completely nullify the influence of objective factors, they could make perceptible adjustments in international events for a long time.

Nevertheless, a long-range forecast of the overall situation reveals a strong possibility of the ultimate success of the policy of the radical reconstruction of international relations on a civilized basis and their integration into the general historical process. Even today we are already living in a world which differs radically from the world of just half a century ago. The societies and states which seemed to be completely incompatible and doomed to endless confrontation just a short time ago have changed or are changing. The profound structural reforms have affected the very foundations of capitalism, and the foreign policy line of the Western states has undergone perceptible evolution. Revolutionary renewal is transforming the image of socialism, and our perestroika is addressing the needs of the individual, the urgent needs of the Soviet society and, simultaneously, the outside world. In spite of the disparate nature of all these changes, they have a common civilizing purpose which corresponds to the main tendency in all world development in our era. It is this that is predetermining the irrepressible advancement of mankind, despite all of the difficulties and obstacles, along the road to a peaceful and constructive future.

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#### Are Tactical Nuclear Arms Talks Possible?

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[Text] After the Brussels session of the NATO Council (May 1989) reached the "compromise" decision on the modernization of the American Lance missiles, the issue of talks on tactical nuclear weapons (TNW) in Europe, which had just recently been a matter of such great concern to the Europeans and had been the focus of debates within the North Atlantic alliance, seemed to lose its relevance and became a secondary issue in world politics.

In my opinion, this impression is deceptive and, in general, reflects only the external side of the matter. We cannot seriously believe that the fundamental differences of opinion between NATO countries on TNW, which were revealed when the Brussels decision was being hammered out, disappeared all at once, nor can we assume that the heated debates which broke out in spring 1989 and were splashed all over the pages of Western newspapers and magazines were no more than a well-orchestrated "propaganda show" intended for the

domestic and foreign consumer but having no effect whatsoever on the "monolithic" unity of NATO.

To be fair, we must admit that the President of the United States was able to take the edge off the problem temporarily by redirecting the attention of the European allies to the conclusion of an agreement on conventional armed forces in Europe as soon as possible. This, however, did not eliminate the acute conflicts over the TNW. In the final analysis, they are not the main problem. They are important mainly as an indication that the commencement of talks on TNW is not as simple a matter for NATO as it might have seemed at first.

#### Why the West Has Not Agreed to Talks

What could be bad about negotiation? After all, the parties hammer out mutually acceptable decisions. No single side—provided, of course, that the sides are equal partners—can force the other to accept decisions infringing upon its security. Negotiation is a search for compromises and the removal of mutual apprehensions. Why then, we might ask, have the NATO countries been so obstinate in resisting TNW talks? After all, if anyone should be concerned, they should: The Warsaw Pact states have several times as many tactical nuclear missiles. Besides this, if a nuclear war should break out in the European theater, the Western half of the continent would suffer much more than the Eastern half by all conceivable methods of calculation because of its dense population, its high concentration of industry, and the mere accumulation of wealth and physical property within its territory.

Then why has the West still not agreed to begin even preliminary consultations on this matter? Apparently, the reason will not be found within the confines of purely military factors, although the influence of military considerations cannot be denied. The debates between the NATO countries were useful precisely because they provided convincing proof of this. They revealed that the issue of TNW was not an exclusively military matter, but represented a tight knot of the most diverse European and world problems—the military, political, economic, and even moral-psychological problems connected with the elimination of deeply entrenched mental stereotypes and various layers of emotion accumulated during the years of "cold war."

The essence of the problem is probably the fact that tactical nuclear arms are an integral element of the political structure that took shape in Europe in the postwar period. The removal of this element presupposes its profound transformation, if not its complete dismantling. Why?

The system of military-political relations between European states, which has existed on the continent for the last few decades, is distinguished by a high level of military confrontation, mutual suspicion, and mistrust, liberally laced with ideological dogmas and militaristic thinking. For a long time the states of the East and West were prey to false, often caricaturized descriptions of one

another which stimulated an arms buildup. As a result, colossal military strength, clearly surpassing all conceivable criteria of defensive potential, was concentrated in the center of Europe.

At this time it would probably be useless to try to figure out who was more to blame for this situation—the East or the West? This would not bring us any closer to the move from over-arming to reasonably sufficient defense.

It is also obvious that our tendency to put too much trust in the quantitative parameters of military strength, reflected in the clearly excessive military potential of Soviet tanks, armored vehicles, artillery, and tactical missiles, was interpreted in the West as physical proof of the USSR's aggressive intentions and aroused the West's worries about its own security. In this context, the tactical weapons deployed in Europe were expected, according to West European thinking, to serve, on the one hand, as a shield in the event of an invasion by "fleets of Soviet tanks" and, on the other, as a major component of the so-called "nuclear guarantees" of the United States, guaranteeing a "transatlantic linkup" with U.S. strategic nuclear forces.

In turn, the Americans began to regard TNW as a means of exerting strong pressure on their allies to keep them within the rigid confines of "Atlantic control." For this reason, when they spoke of "superior Soviet military strength," they wanted to keep the "enemy image" alive in the minds of their allies so that they would pattern their actions on the "worst-case scenario." This is why the "over-arming" of the USSR and other Warsaw Pact states worked to Washington's advantage by objectively reinforcing this image.

The United States' interests were also served by the Soviet Union's strong infrastructure for "limited nuclear war" in Europe. Although the Soviet Union verbally denied the possibility of this kind of war and refused to admit that there were plans for preventing its escalation to the point of a full-scale nuclear conflict, it established an impressive potential here—the "Eurostrategic" weapons (the SS-10, SS-4, and SS-5 missiles and the Tu-22, Tu-22M, and Tu-16 medium-range nuclear bombers), operational-tactical weapons (the SS-12 and SS-23 missiles), and tactical weapons (the R-17, Luna, and Tochka missiles, 152, 155, 203, and 240 mm nuclear artillery, and the Su-7, Su-17, Su-24, MiG-21, MiG-23, and MiG-27 tactical aircraft). In terms of their missile component, all of these weapons surpassed NATO weapons several times over. With complete justification, the West interpreted all of these actions as a sign of agreement with the American theory of "limited nuclear war"—despite the officially declared principles of the Soviet military doctrine.

All of this essentially promoted the perpetuation of the military-force model of security in Europe, based on "nuclear deterrence"—i.e., on the sides' creation and maintenance of equal danger to one another. Under these conditions, TNW became something like a "sacred

"cow" in the West, because they were regarded as a unique symbol of the security cementing the "Atlantic partnership."

For this reason, our appeals for the "third zero"—i.e., for the complete elimination of TNW in Europe—were always regarded in the West, even though they were certainly dictated by the very best intentions, as an "encroachment" upon this partnership and as an attempt to "drive a wedge" between the United States and Europe and deprive NATO of the "nuclear shield" which had been established as a counterbalance to the USSR's superior conventional armed forces on the continent. In the West's opinion, the elimination of TNW would have led to an unavoidable crisis in NATO, which might have resulted in the eventual collapse of this organization, because it would have been followed automatically by the Americans' "departure" from Europe and, consequently, by the United States' refusal to give the allies any kind of "nuclear guarantees" whatsoever.

All of these facts seem to offer a fairly convincing explanation of why the very term "third zero" has aroused such an extremely bitter reaction in the West and has essentially played into the hands of the people insisting on the retention of TNW in Europe. It is indicative that in spite of all the differences of opinion among NATO countries on the TNW issue, they have taken a common stance on the unacceptability of their complete elimination in Europe.

The Soviet position on TNW was adjusted in line with this. In particular, an announcement was made at the highest level to explain that the Soviet Union regards the elimination of these weapons as a sequential process. The Europeans could travel part of the distance separating us from the complete elimination of nuclear weapons without giving up their common stance: The USSR could remain true to its nuclear-free ideals, and the West could remain true to the idea of "minimal deterrence." This would require the clarification of the term "minimal" and some explanation of the point at which the potential for nuclear retaliation turns into the potential for attack. The Soviet Union proposed that experts from the USSR, United States, Great Britain, and France, and from the states where nuclear weapons are deployed, discuss all of these matters in detail.<sup>1</sup>

There is no question that this description of the issue is more acceptable to the West. Nevertheless, it needs further clarification. Some European groups are still afraid that the USSR will lure the NATO countries into a trap: It will achieve sizable reductions and then propose a "zero option" which will be difficult to refuse without suffering serious political losses.

The groundlessness of these fears was pointed out recently by FRG Foreign Minister H.D. Genscher: "The United States is negotiating a 50- percent reduction in strategic offensive arms with the USSR, but we are not trying to discourage this on the pretext that it could lead to the complete elimination of strategic nuclear arms."

He also cited the following argument in favor of talks: "Only negotiations can produce results acceptable to both sides, and results that are binding and, consequently, irreversible. Unilateral reductions are better than nothing, but they are worse than treaties because they can be annulled."

#### **The Modernization of Weapons and the Inertia of Thinking**

One of the most distressing problems in connection with the TNW is the question of their modernization. What, exactly, is the problem? After all, once a weapon exists, its updating is a completely natural process. The removal of military equipment from operational status after it has become obsolete and has outlived its usefulness is practiced in every army in the world. As far as TNW are concerned, the Warsaw Pact states and the NATO countries have consistently updated their tactical nuclear missiles and their nuclear-capable aircraft and artillery systems. Until recently, no one ever over dramatized the issue. What has happened in the last few years?

First let us take a look at the facts. At the present time the balance of power between the Warsaw Pact and NATO in the sphere of TNW is the following. The Warsaw Pact has around 12 times as many launchers of tactical nuclear missiles with a range of up to 500 km (1,608:136), whereas NATO has a slight edge in nuclear-capable strike aircraft with a range of up to 1,000 km (4,075:2,783). There is an approximate balance in nuclear-capable heavy artillery with a range of 60 km (more than 6,000 units on each side).

As for the balance of power in terms of tactical nuclear warheads, no precise ratio can be cited at this time because the Soviet Union still has not published any data on its potential. This gives the West a chance to cite a figure which is most probably overstated—up to 10,000 units for the USSR as compared to 4,000 units for NATO.

In the missile component of tactical nuclear arms, the NATO Lance missile systems (with a range of up to 120 km), which are deployed in the FRG, Great Britain, Belgium, the Netherlands, and Italy, and the French Pluto systems (120 km) are opposed by the R-17 systems, or the SKAD-V (300 km), Tochka, or the SS-21 (70 km), and the Luna, or Frog (70 km), deployed on the territory of the Warsaw Pact states.

Of course, in view of the operational connection between TNW and central strategic nuclear systems, parity in this sphere between NATO and the Warsaw Pact does not have any great military significance. The number and type of nuclear systems aimed at targets on national territory, however, are of the greatest significance to both sides.

Now let us move on to modernization. If this implies the replacement of obsolete missile systems with more modern ones, this was conducted in Warsaw Pact groups of forces in the 1980s. In particular, the Luna missile

systems (adopted in 1964) were replaced with Tochka missile systems (adopted in 1975).

It is an important point that the replaced Luna systems and the replacement Tochka systems have approximately the same range—up to 70 km. As for the R-17 tactical missiles (adopted in 1962), they were partially replaced by the Oka operational-tactical missiles (SS-23), but these were eliminated in accordance with the INF Treaty. Other components of tactical nuclear arms—aviation and artillery—are updated in accordance with plans, and the data on these have not been published yet either.

The fundamental decision NATO made at a session of the Nuclear Planning Group in Montebello (Canada) in 1983 on the need to "modernize" the TNW was substantiated by the Warsaw Pact countries' superiority in this sphere. This was also where a decision was made to withdraw 1,400 tactical nuclear weapons (demolition charges, antiaircraft missiles, and Honest John missiles) from Western Europe by the end of 1988 in addition to the 1,000 units withdrawn prior to 1980. Therefore, the "Montebello Plan" envisaged the removal of some obsolete TNW from operational status along with the deployment of more effective ones from the standpoint of explosive force, accuracy of delivery to the target, and range of fire.

According to the definition in the "Soviet Military Encyclopedia," the term "modernization of military equipment" means "the renewal of obsolete models of military equipment by changing the design, material, or manufacturing technology for the purpose of considerably improving their characteristics and enhancing the effectiveness of their use."

Let us take a look at the NATO countries' activity in the TNW sphere from this standpoint.

In the United States the Lance-2 missile system with a range of up to 480 km began to be developed in November 1988 as a replacement for the Lance system and is scheduled to enter the operational inventory in the middle of the 1990s. In all, up to a thousand missiles are to be produced.<sup>2</sup> This has been accompanied by the full-scale development of the SRAM-T air-to-surface guided missile<sup>3</sup> with a range of up to 500 km as a replacement for free-fall bombs on virtually all American and allied tactical aircraft in Europe. Besides this, the obsolete B-28 and B-43 aerial bombs have already been replaced with the new B-61 bombs. Nuclear artillery is being re-equipped with new W-79 shells for the 203.2 mm howitzer (in place of the W-33 shells). New 203.2 mm neutron shells began to be produced in 1988. At the end of 1989 the 155 mm W-48 shells were replaced with W-82 shells of the same caliber. According to some data, despite the reduction in the number of shells, their overall explosive force doubled.

In France the Hades missile system (with a range of up to 350 km), with a conventional and neutron warhead, is being developed as a replacement for the Pluto system

(and is expected to enter the operational inventory in 1992). In all, the production of up to 90 of these systems is planned. In the French Air Force, the Jaguar and Mirage-III E planes began to be replaced by Mirage-2000N planes equipped with ASMR air-to-surface missiles (with a range of up to 350 km) at the end of 1988.

Besides this, the possibility of deploying additional F-111 fighter planes and FB-111 bombers on U.S. air force bases is being discussed in NATO. These are to be equipped with the same SRAM-T air-to-surface missiles and will be subordinate to the tactical air command and the supreme allied commander of NATO forces in Europe. In all, as a result of the "modernization," the number of English and French nuclear warheads capable of reaching the territory of the USSR more than doubled.<sup>4</sup> This list of projects alone clearly indicates that several of the measures NATO has taken "without any fanfare," as the saying goes, were intended to "compensate" for the elimination of American intermediate- and shorter-range missiles in accordance with the INF Treaty. West German Admiral E. Schmeling compared this "modernization" to the exchange of "an old heap" for a Mercedes plus a BMW plus a Porsche.

The most indicative example is the Lance-2, which will replace the American Lance missile systems deployed in several West European countries and slated to lose their fitness in 1995. The U.S. administration is soliciting congressional approval of allocations for the continuation of the development of the new missile system in the next 2 years. Congress, however, wants certain guarantees that the NATO countries, especially the FRG, will agree to the deployment of these systems on their territory. This is the reason for the pressure Washington tried to exert on its allies in spring 1989.

As we know, there has been some ambivalence in NATO with regard to the modernization of the Lance system. When Secretary of State J. Baker toured the West European countries in February 1989, he was unable to convince the allies that a decision should be made in favor of "modernization" in the near future. No decision was reached on the matter during the session of the NATO Nuclear Planning Group in Brussels on 29 and 30 April 1989 either. The session communique contains only the general statement that NATO nuclear forces "should be maintained on a modern level wherever necessary." This wording made its way into the report approved at the Brussels session of the NATO Council on 30 May 1989 on the comprehensive theory of arms control and disarmament. The report also said that "the question of the adoption and deployment of the system which will replace the Lance system will be considered in 1992 with a view to the overall situation in the security sphere." In this way, the question of "modernization" was effectively shelved until 1992, although the allies did acknowledge "the value of the continued financing by the United States of the research and development of the system which will replace the present Lance short-range missile to preserve alternative options in this area."

The doubts of the United States' allies about the expediency of modernizing the tactical missiles were completely understandable. After all, the Lance-2 is not simply an updated model, but a fundamentally different class of missile with a range comparable to the range of operational-tactical missiles (also known as shorter-range missiles), particularly the Soviet Oka missiles, which are to be eliminated in accordance with the INF Treaty. In this context, the U.S. efforts to develop the Lance-2 missile can quite justifiably be regarded, if not as direct violations of the law, then at least as an attempt to circumvent this exceptionally important agreement.

Although the Lance-2 program has the greatest political emphasis and is now the central topic of debates in Europe, the key element of "modernization" from the military-technical standpoint is probably the improvement of aerial systems. This is corroborated not only by the fact that air-launched missiles can be deployed in much greater numbers than land-based ones, but also by the plans for the deployment of additional American weapon-platform aircraft in Europe.

In combination with their highly accurate homing guidance, the range of these missiles will guarantee the delivery of munitions to the target without any need for the weapon-platform plane to enter the enemy air defense zone. It is clear that this considerably lowers the anticipated level of losses of the side's own planes and devalues the Warsaw Pact superiority in fighter-interceptors.

Therefore, the situation with regard to TNW modernization is the following. The Warsaw Pact and NATO have updated their combat equipment in recent years, but whereas the basic characteristics of the Warsaw Pact's updated systems, including range, are comparable to the characteristics of the weapons they replaced, and whereas the replacement of tactical nuclear missiles has now stopped, NATO intends to re-equip its tactical nuclear arsenal with weapons completely comparable to shorter-range missiles. This will lay the material foundation for the new American doctrine of "air and land battle," envisaging strikes by tactical nuclear arms against the second and third echelons of Warsaw Pact combat formations.

According to former U.S. Assistant Secretary of Defense R. Wagner's interpretation of the "Montebello decision," it presupposed a "departure from the reliance on systems with a small combat radius and a shift in favor of longer-range systems as something more useful from the political standpoint and, as the possibility of destroying targets in the depths of defense increases, as something augmenting...military potential."<sup>5</sup>

Therefore, the inertia of the military-political thinking of the "cold war" days clearly affected views on the "modernization" of TNW in NATO. This is understandable: After all, the decision in Montebello was made in 1983, when the East-West dialogue on disarmament issues was essentially at a standstill. It was at that time that the talks

on the limitation of nuclear arms in Europe and on the limitation and reduction of strategic arms were broken off.

The present situation is different. The INF Treaty has been concluded and is being implemented successfully. Talks on the reduction of conventional armed forces in Europe have begun, and there is a chance that an agreement will be concluded this year. The Soviet Union is carrying out sweeping unilateral reductions of its armed forces and arms in Europe and also of some tactical nuclear arms: In 1989, 500 nuclear weapons were withdrawn from the territory of its allies (166 airborne, 50 artillery, and 284 missiles); TNW delivery systems are also being reduced, including 24 tactical nuclear missile launchers.

Against this background, the "modernization" of TNW in Europe definitely sounds out of tune. The arsenal of systems the advocates of modernization would like to have by the middle of the 1990s does not fit into the present dynamics of East-West relations at all. Obviously, the time has come for a serious discussion of the precise issue of TNW modernization.

Of course, any serious expert on disarmament issues must know that it would be unrealistic to insist on the renunciation of modernization "altogether" under present conditions, particularly in view of the fact that all tactical nuclear systems—missiles, planes, and artillery—are essentially dual-purpose systems. As long as the weapons exist, they must be updated. During this process, they are naturally improved.

In this context, it would probably be best to strive for an agreement on the strict regulation of modernization instead of its mutual renunciation. This kind of agreement would presuppose, for example, the prohibition of the following: the augmentation of the number of nuclear-capable tactical systems; an increase in the range of land-based and air-launched missiles; the development of new types of nuclear munitions; an increase in the number of missiles and bombs for which various types of planes are equipped. This, in turn, could aid in defining the parameters of "minimal deterrence" for Europe. It will be important to break out of the vicious cycle of "modernization in response to modernization," which is a generator of the arms race.

Therefore, the issue of modernization is one of the key elements of the entire subject matter of TNW, ultimately deciding the role of these weapons on the European continent and, to a considerable extent, the entire situation here. This is precisely why this issue should become the object of the closest scrutiny by Warsaw Pact and NATO countries in the near future.

#### **Are the Positions of the Sides Really That Far Apart?**

There are still serious differences of opinion between the NATO and Warsaw Pact states on the start of TNW talks. To be fair, however, we must admit that the

differences have recently been less pronounced, especially since the Brussels session of the NATO Council.

On the one hand, the NATO countries are no longer categorically rejecting the very idea of negotiations. Furthermore, they have essentially expressed a willingness to begin these talks, but only on certain conditions. On the other hand, the Warsaw Pact countries are no longer insisting so categorically on the immediate elimination of TNW in Europe and have shifted the emphasis to asymmetrical reductions to the point of equal quantitative levels.

The positions of the sides are obviously closer together, and this is a positive sign. How do these positions differ?

First of all, the Warsaw Pact states propose the commencement of TNW talks as soon as possible, and without any links to the resolution of other disarmament problems. The NATO countries are willing to start the talks only after the agreements on the reduction of conventional armed forces in Europe begin to be carried out.

Second, the Warsaw Pact wants all of the Warsaw Pact and NATO nuclear powers to be party to the talks, as well as all other interested states belonging to these alliances, particularly those with nuclear-capable tactical systems and those with TNW deployed on their territory. The NATO countries, as we know, have expressed a willingness for USSR-U.S. talks, although they have admitted the possibility of "consultations with interested allies."

Third, the Warsaw Pact wants the talks and, consequently, the reductions to cover all categories of TNW—land-based missile systems with a range of up to 500 km, frontal (tactical) aviation and artillery capable of using nuclear munitions, the nuclear components of these systems, and nuclear mines and demolition charges. The NATO countries are willing to conduct talks only "for the purpose of the partial reduction of American and Soviet land-based shorter-range nuclear missiles to equal and verifiable levels."

The fourth and final difference is that NATO is essentially demanding the Soviet Union's unilateral reduction of its "short-range missile systems to the existing level in the unified NATO organization" (i.e., not counting French systems) before any action is taken on the results of the talks in Vienna on the reduction of conventional armed forces in Europe. In line with this approach, "agreed reductions to a level below the present level of their short-range nuclear missiles will not take place until the results of these talks are implemented."

As we can see, there are still differences of opinion, and they are quite sizable. The declaration the Warsaw Pact states adopted at the April (1989) session of the Warsaw Pact Committee of Foreign Ministers says, however, that they "are willing to consider any other possible proposals and measures leading to the reduction and elimination of tactical nuclear arms in Europe and promoting

stronger stability on the continent at ever lower levels of military potential, with the observance of the principles of equality and equivalent security and the guarantee of effective verification of compliance with agreements." Besides this, the same document says that "other mutual undertakings of a multilateral and unilateral nature could help in achieving the goals of the reduction and elimination of tactical nuclear arms." When M.S. Gorbachev spoke in Strasbourg in July 1989, he announced the Soviet Union's intention to undertake further unilateral reductions of tactical nuclear missiles in Europe just before the TNW talks.

Therefore, the position of the Warsaw Pact states is flexible enough and does not exclude the possibility of alternative solutions to the problem of TNW. This flexibility, however, is limited to the interests of stronger stability in Europe and the equivalent security of the sides.

In any case, the very fact that the Warsaw Pact and NATO positions on TNW talks have been made public testifies that although the issue has not been included in direct East-West dialogue yet, it is firmly ensconced on the international agenda. If nothing else, the NATO countries are starting to understand that TNW talks cannot be escaped and will have to start at some point. The results—the elimination of TNW, the retention of a specific number, or, possibly, the decision to carry out modernization on a legal basis—are another matter.

In principle, this is a fundamental shift of all the circumstances surrounding the TNW issue. The reason apparently can be found primarily in the rapidly changing situation in Europe as a whole, in the NATO countries' reassessment of the level and nature of the military threat from the Warsaw Pact, and the main thing—the seriousness of these countries' appraisal of the perceptible progress at the talks in Vienna.

In this context, the TNW issue objectively rises to the surface of the debates on the future of Europe. In the final analysis, disarmament is not a goal in itself, but only one of the means of arriving at a qualitatively different state of the world, which will be based not on the guaranteed danger of the use of military force, but on the guaranteed absence of this danger.

It is from this vantage point that the process of European disarmament should also be viewed. The Warsaw Pact states are willing, as they have announced repeatedly, to eliminate all existing imbalances and asymmetries, but this would only be the first step toward the main goal of the complete elimination of the possibility of offensive operations and, on this basis, the complete elimination of the very possibility of war. The main thing in this process would probably be the phase of reductions following the elimination of imbalances (we could refer to it as "Vienna-2"), as a result of which the military potential of the Warsaw Pact and NATO would be limited to the kind of strictly defensive structures that would allay the sides' worries about their own security.

The purpose of the talks, consequently, would not be a simple lowering of the level of mutual confrontation in Europe, but the use of this lowering and the reorganization of the armed forces and military organizations of NATO and the Warsaw Pact as a basis for the eventual elimination of the military confrontation between these alliances, which would establish the prerequisites for the elimination of the whole bloc approach to continental security.

Of course, the talks of the "23" and "35" cannot take care of all of the problems arising in this connection. If we want the genuine stability and security of the military situation in Europe, we must also consider the influence of other types of arms, which do not even enter into the mandate of the talks of the "23." They include tactical nuclear weapons.

Obviously, the connection between the reduction of conventional armed forces and the reduction of tactical nuclear weapons is not direct or rigid. On the contrary, there can be some degree of flexibility in defining the sequence of the discussion of various issues, and this was the basis for the Warsaw Pact's consent not to include TNW in the mandate of the Vienna talks. Leaving them completely out of the arms reduction process is a different matter. This is totally inconsistent with the joint Warsaw Pact-NATO goal of giving the forces of the two sides an exclusively defensive nature. In fact, this is the main reason for the Warsaw Pact states' insistent appeals for separate talks on tactical nuclear arms reduction in Europe.

Of course, no one is trying to link the issues of conventional armed forces and tactical nuclear weapons at this time. It would be impossible, however, to ignore the connection between them, which is of an objective nature. In particular, it is clear that tactical nuclear weapons and conventional arms are closely interconnected, primarily in the operational and organizational sense. For this reason, the reduction of conventional armed forces in Europe, including dual-purpose systems, will inevitably reduce the potential of the sides to deliver tactical nuclear weapons. Incidentally, this interconnection is reflected in the Soviet Union's inclusion of reductions of tactical nuclear systems in its plans for the unilateral reduction of its forces and arms in Europe.

On the other hand, the achievement of positive results at the multilateral talks in Vienna on deep cuts in conventional armed forces in Europe and the removal of the most destabilizing types of conventional weapons from the arsenals of states will considerably reduce and then completely eliminate the mutual threat of surprise attack and of broad-scale offensive operations using conventional weapons. This will eliminate every reason for the retention of tactical nuclear arms in the military arsenals of the countries of the continent - at least in their present quantitative and qualitative parameters. Incidentally, this has also been acknowledged by many Western experts. The assistant director of the London

International Institute of Strategic Studies, G. Bennendijk, for example, admitted that when imbalances and asymmetries in conventional forces have been eliminated, NATO will require a much smaller quantity of TNW "for effective deterrence."<sup>6</sup>

The opposite connection is also self-evident: The failure to resolve TNW problems could halt the progress at the talks on deep cuts in conventional armed forces in Europe in the near future. After all, it is obvious that the retention, the unrestricted modernization, and, what is more, the continued buildup of TNW, with their tremendous destructive potential and their capability for use in a first strike, could have an increasingly destabilizing effect on the military-political situation in Europe even if other arms should be reduced.

For this reason, we should strive for a situation in which the actual measures to reduce conventional arms and tactical nuclear systems will supplement and reinforce one another in the consolidation of stability on the continent and in securing a lower level of military confrontation between the alliances, especially if we seriously want to eliminate this kind of confrontation. In this context, the first phase of TNW reduction, in line with the original Vienna agreement on the elimination of imbalances and asymmetries, could consist in the reduction of all of the main categories of TNW to equal quantitative levels far below the present levels of either side in a zone of agreed width—for example, in the zone of the first strategic echelons of the Warsaw Pact and NATO. This could be followed by deep reductions of TNW throughout the entire zone from the Atlantic to the Urals.

Other approaches to the issue of TNW are also possible. The talks could concentrate, for example, on the substantial reduction of tactical missiles and nuclear artillery first. "Minimal deterrence" could be maintained in the future by a certain agreed number of weapon-platform aircraft with nuclear bombs and air-to-surface missiles.<sup>7</sup> In this context, an agreement should also be reached on the permissible parameters of the modernization of these components, including the limitation of the range of missiles.

One of the difficulties in the talks from the very beginning will be the question of nuclear components of dual-purpose systems. A possible agreement on their elimination would give rise to the need to resolve the complex issues of the verification of the elimination itself and, possibly, of the production of fissionable materials. This has not been discussed at the talks on nuclear disarmament to date. In this connection, there is the possibility that the first phase will have to be confined to the reduction of the number of delivery systems, with the postponement of the discussion of weapons to a later phase. Even the limitation of delivery systems represents a difficult problem, however, because part of them—aircraft and artillery—are already being discussed at the Vienna talks because they are dual-purpose systems. Apparently, it will be necessary to set limits on

nuclear-capable systems and to agree on their external characteristics and functional features.

Finally, it will probably be difficult to involve France in talks at this time. As we know, it regards its short-range nuclear systems as "pre-strategic," and not tactical, systems ("final warning systems"). In this connection, and in view of the fact that France is not a member of the NATO military organization, people in Paris are taking every opportunity to stress that the issue of TNW does not pertain to France. In contrast to the Americans and English, the French are implying that their "pre-strategic systems" (the Pluto missile systems and the Jaguar and Mirage-III E weapon-platform planes) are intended for purposes other than "compensation for Warsaw Pact superiority in conventional arms." Therefore, according to their line of reasoning, even after the imbalances and asymmetries between the Warsaw Pact and NATO in the sphere of conventional arms have been eliminated, France will still have to keep its "pre-strategic systems."

In view of this position, the first phase of the talks might be of a bilateral Soviet-American nature. The other nuclear NATO powers would become party to them later, as the Vienna talks progress and as the overall political situation on the continent improves. When the TNW talks start, however, these powers certainly should display some restraint with regard to their nuclear systems. As the report of the Frankfurt Peace Research Institute correctly points out, "it would be impermissible for Great Britain and France to continue augmenting their strategic and tactical nuclear arsenals while the United States and USSR are reducing theirs."<sup>8</sup>

Therefore, the level of "minimal deterrence" for Europe cannot be regarded as some kind of permanent quantity. It will probably change in response to the evolution of East-West relations as a whole. The goal of completely surmounting "deterrence" could be set following even deeper cuts in conventional armed forces and the limitation of naval forces and arms, when the objective prerequisites will exist for the comprehensive resolution of the problem of guaranteed European security.

In the overall context of the rapid evolution of East-West relations, the discussion of TNW is essentially a discussion of the role of nuclear weapons in general and, in the broader sense, of what peaceful coexistence should be in its realistic ideal state.

In this sense, the TNW issue is something like the "litmus paper" of current changes. For this reason, to a considerable extent, the start of Warsaw Pact-NATO talks on this issue will probably be regarded as a turning point for Europe and the world as a whole. It will probably also signify a fundamental shift in the West's attitudes toward what is happening in the Soviet Union.

The gradual removal of the nuclear component from the European military equation will be, without any doubt whatsoever, another sign of the dismantling of the security model based on military force and the beginning of

the construction of a qualitatively different world, based on normal civilized relations between the East and the West.

#### Footnotes

1. PRAVDA, 7 July 1989.
2. These missiles are referred to as FOTL (Follow-on-to-Lance) and ATACMS (Army Tactical Missile System); they are to be installed on the multiple rocket launchers (two missiles on each launcher) located in all of the NATO countries. The Pentagon hopes to equip them with the warheads from the eliminated intermediate- and shorter-range missiles.
3. The TACM (Tactical Missile) Program.
4. SURVIVAL, March/April 1989, p 148.
5. "Hearings Before the Committee on Armed Services, U.S. Senate," Washington, 1984, p 3636.
6. SURVIVAL, March/April 1989, p 152.
7. The Peace Research Institute of Frankfurt has proposed the option of leaving no more than 300-400 nuclear weapons on the planes.
8. PRIF REPORTS, No 6-7, 1989, p vi.

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### COMMENTS ON PERESTROYKA

#### Perestroyka: Current State of Affairs

904M0009D Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 2, Feb 90 (signed to press 16 Jan 90) pp 59-64

[Article by Gerard Wild, head of the Socialist Economy Department of the International Information and Forecasting Research Center of the General Planning Commissariat (France)]

[Text] The question which arises in the fifth year of perestroyka is not a question about the presence or absence of the political leadership's willingness to carry out the reform. This is a matter of the consistency of the renewal process, the principles of which are growing increasingly distinct as the spring of 1985 recedes into the distance. Few people today still believe that the only purpose of perestroyka is to strengthen the political regime and give the country a rest from the arms race. The many differences from the speeches and actions of previous leaders of the USSR have been enough to convince the biggest skeptics of this. The evolution of Western public opinion, reflected in sociological surveys, is extremely indicative in this respect.

The controversy has moved to a different level. The dominant theme is the issue of danger: What is the risk

of defeat and what are the chances of success? Of course, this theme was always present in a variety of analyses, but as M. Gorbachev's idea acquired increasingly distinct outlines, and when some of his announced intentions were realized, the skepticism moved into another area—the duration and stability of the process.

It is on this point that most of the latest appraisals have been quite vague.

The main reason is the current state of affairs in the economy, and especially in public consumption. Judgments on this matter also reflect a change in views. Just recently, the main obstacles to perestroika were seen in the political sphere. "Kremlinologists" calculated how many opponents the general secretary had in the highest administrative bodies (the Politburo and Central Committee). Political scientists saw the trouble in outlying areas as the main potential cause of a retreat from liberalization. These dangers have not disappeared yet, of course, but they have become secondary, whereas economic difficulties have moved up to the level of the principal obstacles to perestroika.

Without a doubt, everyone knows that the economy is the alpha and omega of the reform of the Soviet system. On the one hand, the "pre-crisis," to use M. Gorbachev's own term, economic situation did lie at the basis of the determination to begin the reforms. On the other hand, only the future success of an economy "put on a new track" would confirm the validity of the choice of direction. Everyone also knows about the special importance of satisfying consumer needs: Without this, it is impossible to deal with the threat of inflation or find incentives to enhance productivity.

More than 4 years after M. Gorbachev's pronounced his diagnosis (at that time some people felt that he had intentionally painted a dismal picture to arouse a passion for reform), it is clear that it was essentially accurate. Then why has almost nothing been done in the economic sphere since that time? This is the main question we will try to answer.

#### **Strategy of Evasion**

The assault on the heart of the inherited system—the centralized planning of production at state enterprises—has not really begun yet. Of course, several published documents state the intention to do this. To date, however, the old planning system has not suffered anything more than a few stings. Instead of this, there is the strategy of evading obstacles: first by changing the rules of the sociopolitical game, and then by instituting new forms of administration, and not in the state economy itself, but outside it or on its periphery.

#### **Energization of Laboring Public**

When the new general secretary was elected in spring 1985, he immediately attracted attention with his realism and energy and with the cause-and-effect relationship he established between the state of the economy

and the level of public activity. This thesis became the starting-point for his actions. Furthermore, M. Gorbachev is constantly adding new elements to this idea. At first, for example, he stressed the connection between public activity and economic acceleration. This version of his thesis did not last long because it was too closely related to the old methods of public administration and did not meet the complex requirements of the new situation. This was followed by an emphasis on the connection between democratization (a reform of the rules of the sociopolitical game) and radical economic reform. Finally, it was time to conduct a reform of political institutions and a partial revision of the system of property relations.

This strategy is based on the idea that the Soviet laborer can only take a genuine interest in perestroika when he becomes more active as a citizen, and that the energy confined in the economic system will only be released when people become free themselves and change their way of thinking.

The constant unification of sociopolitical and economic aspects in the actions of the leadership and the effort to deal with problems in productivity through intermediate relationships apparently did not have the anticipated impact. No significant changes are apparent in the economy yet. We can only be amazed that glasnost and creative freedom did not have the slightest effect on the work ethic of the citizen as economic agent. There is enough evidence of this in the low macroeconomic indicators and the numerous private judgments and public expressions of disillusionment by the supporters of perestroika.

In a certain sense, everything looks as though the mounting radicalization of political innovations and economic ideas did not occur in response to objective requirements, but was merely the result of the national leadership's realization that the public had not become more active during preceding stages. Some people began talking about a "deviation" which could lead to the most serious subversion of the ideological foundations of the system.

For the time being, let us do no more than point to this deviation, which produced no concrete results other than social demands and theoretical reflections just recently judged criminal, no results other than attempts to question the past and the present without suggesting a realistic economic alternative. There is no question that the Soviet citizens became more active, and not only the ones who call themselves members of the intelligentsia. This is attested to by the crowds that filled the streets of cities in outlying republics, the weakness for sensationalized press coverage, and the difficulty of controlling public debates and gatherings, even those organized by government officials. On one street in Krasnoyarsk, the people even told the general secretary how unhappy they were about the deterioration of their living conditions. This last incident is particularly important: It shows that although the expansion of freedom of speech did not

help to energize the economy, it has led to the expression and intensification of dissatisfaction and disillusionment with the reforms. It also gave previously silent public opinion a chance to declare its far from optimistic vision of the future. But after all, at first there was the hope that its arousal would be an energizing factor.

For the same reason, it seems obvious that the assumption that time will solve all problems is not the best position for the supporters of perestroika to take. The passage of time is increasing the danger that the anticipated advancement will not begin. The vehicle will not be able to get out of the rut and will sink even deeper into it instead. What is even worse, people are losing the hope that the positive effect of new, even bolder and more comprehensive political and ideological innovations is more guaranteed than the non-existent effects of previous reforms. On the contrary, they suspect that taking further steps and undermining the ideological and historical bases of the system even more will create the necessary conditions for the unification of the now disparate but completely real forces resisting perestroika. Gorbachev wants to start by cleansing sociopolitical and economic practices of the distortions engendered by Stalinism, but he is still committed to the ideas of the founders of socialism.

#### Development of the Economy Through Peripheral Structures

The Soviet leadership is also trying to evade obstacles in the purely economic sphere. In the same way that it attempted to stimulate patriotic feelings in the hope that the laboring public would acquire different motives to work, it decided to surmount the sluggishness of the main link of the economy—the state enterprise—by introducing more dynamic and flexible forms of organization, seemingly capable of quickly creating incentives for higher productivity and greater social satisfaction.

Of course, I am not talking about the failure to give the plan for the transformation of state enterprises clear and convincing outlines. Everyone knows what the documents of the June 1987 plenum had to say about this. I am simply reminding the reader that after enterprises had greater autonomy in various spheres of operation (management, investment, supply, and taxation), the reformers suggested the adaptation of the enterprise's surroundings by relaxing the pressure on them and augmenting the role and efficacy of economic instruments (prices, the market, and money).

There is nothing clearer or more correct than this general line of economic reform. By the same token, there is nothing more difficult than instituting all of the radical measures at once. In particular, the abrupt transition to a new pricing system (price levels and the pricing mechanism), to the wholesale trade in the means of production (so as not to use the term "market"), and to an active credit system (based on a healthy monetary unit) could expose deep-seated disparities in the economy.

This would certainly be followed by inflation, the disruption of the flow of goods and services, and the reduction of production volume. These extremely radical innovations were postponed (until 1991 and 1992, according to the original plan). Even other measures could only be instituted gradually. This applies, for example, to the role and number of central administrative bodies. In the expectation of a different system of guidelines for enterprises, these bodies have to retain the right to direct operations and institute certain restrictions for some time.

This means that the new rules of enterprise operation had to be limited in the beginning, and it is true that the new principles covered a relatively small area in the first year of reform (1988), which was essentially the first year of perestroika. Only 6 out of 10 enterprises were granted the right of "completely autonomous management," and without any significant changes whatsoever in the basic conditions of operation: 90 percent of all supply and shipment operations were still carried out in accordance with the old rules (through "state requisitions"); prices did not change; the diversification of the banking system was a slow process; the number of central government employees decreased only slightly. The steps taken the next year, in 1989, were just as cautious.

In the most general terms, this is the result of the first 2 years of economic reform. Of course, some bold experiments were conducted and did arouse interest: the reduction of personnel in a particular administrative body or at a particular enterprise; the sale of "stock" to the workers of some plants; the establishment of "specialized" banks. In general, however, the institutional and economic landscape, to which the administration and the enterprises have grown accustomed, has not changed perceptibly.

The debates which broke out over state requisitions are indicative in this respect. In essence, these represent the traditional method of economic management. The state "requisitions" certain products (or, in fact, orders their production) and guarantees not only the necessary supply of production factors but also a sales market. In other words, enterprise autonomy is limited.

Furthermore, the requisitions were not awarded on the basis of competition, as envisaged by law, and they covered nine-tenths of all industrial production. State requisitions represented the full load of all production capacities at many large enterprises. In other words, the degree of autonomy in general was still negligible and essentially could be used only by second-rate enterprises. Judging by all indications, they are less likely to take risks and are heavily dependent on state enterprises in key branches. Of course, there were some enterprises which did show some initiative, but not enough to provide convincing proof of the possibility of giving up ingrained habits.

The caution of the reformers is understandable in many respects. In general, it helped in avoiding complete chaos

in an already unstable economy. Some feel that more resolute action should have been taken. Others, on the other hand, believe that in view of the customary stereotypical behavior of economic agents, there was the real risk that production would decline to a level close to the one established by state requisitions.

We will not indulge in arguments. In any case, it is clear that the immediate resolution of the colossal problem of changing attitudes toward production was not the official goal of the first or second year of the institution of the new principles. Neither the dramatic improvement nor the rapid deterioration of quality could be expected. In reality, there were cases of both, but it was necessary to find a different way of increasing the supply of consumer goods and services and moving on to the attainment of what had been the administration's main objective from the very beginning: to guarantee the laboring public's support of the reform by improving everyday living conditions.

This objective was to be attained with the aid of cooperatives and private enterprises. They are a peripheral element of the system, but they were assigned the leading role at first. In the West many people said and wrote that the organizers of the socialist economy had "regained their senses." This, however, was not the main thing. The main thing was that these forms of economic activity, which caught the eye of the Soviet leaders even before the state enterprises, were expected to play the role of "pioneers."

On the one hand, the cooperative and private sector was supposed to become a privileged sphere for the spread of the "spirit of enterprise" and the birth of previously prohibited forms of activity. On the other, it could have competed with state enterprises, motivating them to improve their operations, and could possibly have become a "training center." Above all, however, it was expected to secure the direct and substantial satisfaction of the needs of the citizen-consumer. Of course, this sector was never supposed to acquire large dimensions. In the opinion of some economists, particularly L. Abalkin, employment in this sector could have risen to 5-7 million in time, but this 5-6 percent of the economically active population could have produced from 10 to 15 percent of the retail turnover of goods and services acquired by the population. It is possible that it could have produced even more: The figures are only of an illustrative nature, and this form of activity could have developed on such a grand scale in the future that any comparison with the current situation would be senseless.

We know that the development of the private sector played a role in creating the social consensus in favor of reform in other countries, such as Hungary. Even in view of the fact that a growth rate of 10 or 15 percent could not have been achieved in a single year or even in two, there was the hope that the products of this sector would represent a perceptible share of the national supply.

But what do we see? According to the latest data, the turnover of cooperatives (and there are around a million of them) does not exceed 1 percent of all retail trade. Figures attest to the rapid growth of cooperatives in 1988 and the first half of 1989, but according to other sources, in the last months of 1988, their growth rate declined and the number of cooperatives even decreased in some areas. In general, the leadership has expressed disappointment, and even irritation, with this. Here the strategy of evasion appears to have failed (at least in part).

The same is true of another element of the strategy: the establishment of enterprises (joint ventures) with Western partners. In this sphere as well, the number and significance of the new enterprises, which were supposed to become training sites, centers for the dissemination of the latest management techniques, and sources of more convenient financing, apparently did not live up to expectations. Therefore, the political reforms have not had a perceptible effect on economic affairs. The peripheral innovations in the economic sphere itself could not impart dynamism to it. Meanwhile, an entire set of interrelated measures has been instituted, and it is difficult to imagine that anything new could be added to it, unless, of course, this were to be done for the purpose of subverting the political and economic bases of the system. This is the reason for the pervasive pessimism and the feeling that the deadline of 2000 is too close to hope for the achievement of the first genuine changes.

#### Difficulties in Starting Up New Mechanisms

When we hear or read statements by the reformers, we are shocked by the difficulty they are having in charting the course from the decaying country they inherited to the future Soviet Union with all of the modern virtues. Between these two scenes, which are separated by decades, there appears to be a vacuum which is difficult to fill.

This is the dilemma of reform: How can the changes that have already taken place, most of which are marginal, if not laughable, grow strong and lead to changes whose influence will be felt on the macroeconomic level? The lack of built-in elements of self-propulsion gives rise to the danger of the suffocation of the reform and outright regression, or at least the termination of the reform at a level inadequate for a significant change in the overall situation over the long range.

What the USSR needs today is not a move to new strategic reforms, but the establishment of favorable conditions for the implementation of earlier decisions. To this end, economic agents will have to be convinced that the new rules of the game are advantageous and lasting. Besides this, they have to be backed up by resources. Some recent undertakings seem to indicate that this is the pattern of development that has been chosen. Other similar undertakings have been planned for the near future. It is hard to say whether they will be

enough, but the struggle against the derailment of perestroika is certainly connected with these undertakings.

#### The Natural Impact of Expectations

People in the USSR and other countries realized that the "mystery" of the discrepancy between the indisputable energization of the citizens and the perpetuation of the traditional rules of behavior in the production sphere was due to the inertia of a society shaped by more than 50 years of restrictions and unrealized hopes. In fact, the traditional principles had sunk so far into the minds of the Soviet workers that the new thinking was having difficulty winning their support.

There is no question that the laborer also wants the situation to change, but he has been at the mercy of supply for so long and has been influenced for so long by the direct management of production by the narrowest segments of the society and the exposure of "throwbacks" to the bourgeois past, that all of this had to leave an impression on him. Others go further and recall the inherent suspicion of profit in the "Russian soul" and the equally tenacious aversion to displays of personal initiative.

Besides this, it is logical to assume that the frequent historical reversals marking the regime's attitudes toward forms of private activity also left their mark on the public mind. Many remember the brutality with which the regime put an end to NEP [New Economic Policy (1921-1936)], and others recall the reversals in policies on subsidiary farming and kolkhoz markets or the transition from the thaw and de-Stalinization to the "order" and stagnation of the Brezhnev years.

If we add the fact that there is something to fear in the reform proposed today with regard to employment and wage guarantees, we can understand why the Soviet citizen has begun to enjoy the fruits of political and cultural liberalization but has not changed his attitude toward work.

The present situation is frequently blamed on the covert resistance of reform by conservative groups worried about losing their privileges. People say that these groups are impeding the implementation of the law on enterprises, the development of cooperatives and private activity, and the redistribution of power between the center and the periphery.

This is true to some extent, but there are also other reasons for the hesitation of many supporters of the reform at the top and the bottom. We must admit that the outlines of the perestroika plan are somewhat vague: Is there no suspicion that the constant institution of only partial innovations means that the government intends to stop the process of change at the very first sign of economic recovery? Although it has called for a revolution, has it not retained its previous place between the adventurists (the radicals or the "driven") and the "pro-stagnation forces" (the conservatives or the "complacent")? Although this position is certainly necessary for

the maintenance of control, it is not devoid of shortcomings. It leaves the irreversibility of the changes in question and reinforces the apprehension of all participants in economic affairs, whatever place they might occupy.

In a certain sense, the public was right. Its obvious restraint has forced the regime to continue the reforms. Promising cooperatives were given somewhat easier access to foreign markets. Agricultural laborers were granted "leasing rights," with the lease term gradually lengthened from under 10 years to 50 years. Foreign partners also gained more extensive investment rights and stronger hope of the deeper penetration of the emerging market. It is as if the public and its leaders are conducting secret negotiations and striking a bargain—"I will give you something if you give me something"—in which mutual expectations and uncertainty about the real need for change are offsetting each other. In addition to all of the different technical measures listed above, other important moves in the process of mutual accommodation were the removal of known opponents of perestroika from the highest spheres of power in fall 1988 and spring 1989 and the recent changes in the Politburo membership. This did not happen because the people who had been left out of the process issued secret orders for the sabotage of the conservatives who had taken refuge in central and local government agencies. It happened primarily because these individuals were seen as a symbol of the old order, and this naturally aroused the suspicion that the reforms might be reversible. This was the opinion of the "average" citizen, who is generally seen as the greatest hope for a change in production relations. It was also the opinion of the individuals with power in the middle link of administration. The disappearance of these symbols has given both groups a chance to develop stable expectations and, consequently, a chance to take action to carry out their resolutions on a broader scale.

It is too soon to say whether the latest group of measures will set the economy in motion or not. In any case, their full impact will not be felt soon. But the main thing, and this is the most vulnerable part of the situation, is that there is no certainty that this contest of expectations, this form of dialogue between the leaders and the masses, will result in an identical vision of reform. There is no indication of how far most of the public is prepared to go in changing the rules of the societal game, and there is no indication of how much freedom the reformers want to give the public. Between the public, whose desires and actual potential for change, are unknown, and the regime, which might place still unknown limits on political and economic liberalization, there might be a more serious failure to understand one another than anyone thinks.

#### Necessary Redistribution of Resources

In any case, we will not find out about the existence and scales of this lack of understanding until the new rules of play at state enterprises and the peripheral evasion

operation (the spread of cooperatives) have been given every chance for at least minimal development.

Obviously, not everything is settled in the sphere of social psychology. This would require facts proving that the reform is moving in the right direction. Let us assume that the public believes that the movement toward autonomy and toward a market is necessary and possible. Let us assume that all officials on the middle level realize that perestroika is not just a word. Let us assume, finally, that most of the leaders are convinced that profound reform will not necessarily lead to chaos. Then arrangements have to be made so that this new social energy will be able to use resources—manpower, equipment, raw materials, and semimanufactured products.

The projects being planned in the society will need resources for their completion. This is the natural progression of reform: the granting of operational freedom to economic agents—enterprises willing to change their production structure in line with demand; individuals wishing to start new types of activity; agricultural laborers willing to work autonomously on leased lands. The advancement of perestroika will require the modification of the structure of production—i.e., investment patterns—under the pressure of enterprises and individuals.

In this area the leadership seems to have realized that adherence to five-year plan assignments and the state requisition method have become one of the main obstacles to the success of the strategy of peripheral evasion. By limiting the overall growth of production while increasing the output of consumer goods and organizing the transfer of resources from heavy industry, including the defense industry, to the branches of the second subdivision, the leaders are consciously moving away from the principle of the five-year plan. Furthermore, by perceptibly reducing the centrally distributed portion of the production output and dramatically diminishing the role of state requisitions (from 90 percent to around one-third of industrial production), the leaders are creating broader scope for the operations of autonomous enterprises and spontaneous mechanisms for the satisfaction of demand by the cooperative and "private" sector. Besides this, as soon as the proposed expansion of the functions of local government agencies, primarily republic agencies, becomes a reality, it will give economic agents much more maneuvering ability.

As soon as the population feels more secure, becomes more involved in politics, and has a better supply of goods, services, and housing, the reform can continue its long, slow, and difficult journey. If, on the other hand, the measures taken in recent months do not produce the desired improvement in living conditions and stronger feelings of security, we will have to agree that perestroika, like other reforms which once seemed radical, ultimately gave birth only to swiftly extinguished hopes. Then the USSR will turn into a second-rate power or will enter a period of dramatic events.

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### Practical Value of Sovietology

904M0009E Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 2, Feb 90 (signed to press 16 Jan 90) pp 64-66

[Article by Viktor Ivanovich Kuznetsov, doctor of economic sciences and head scientific associate at Institute of World Economy and International Relations]

[Text] Apprehension, suspicion, mistrust, and hostility—this was the range of emotions our press and party propaganda took such pains to cultivate for such a long time in our attitudes toward members of the huge cohort of Sovietologists, the common name for people who specialize in studies of the Soviet Union. And it did not matter how prestigious the scientists were or what they wrote—they were all guilty by virtue of the very fact that they were meddling in "our business" and wanted to figure out what was happening in our country. It was as though it were a foregone conclusion that these studies could produce nothing but anti-Soviet feeling.

During my professional travels I met many European experts on the politics and economics of our country. As a rule, they were not only knowledgeable individuals with an inquisitive frame of mind and clear thinking. They were also thoroughly decent people with no prejudices against socialism or the USSR. This was no coincidence. After all, when they chose this field of study at the very outset of their career, in most cases the choice meant that they had some affection for, if not sympathy with, the ideas of socialism and the country which had expressed its intention to bring these ideas to life, or that they were interested in our country as one of the greatest powers playing a global role in world affairs.

The depth and importance of the subject matter were the reasons for the appropriately high level of the scientists in this field. They include many brilliant minds making a conscientious attempt to discern the patterns of our society's development. And it was not the Sovietologists' fault, or any indication of malice on their part, if their writings usually revealed the distasteful features of our life. The facts, freed of the lofty party epithets with which our propagandists endowed them, painted an objective picture when they were arranged in a single pattern and compared to one another.

Of course, the picture could not please those who lived by the double standard, saying one thing and doing another. For them, any objective view, unobscured by assigned canons, of "real socialism" was dangerous. Internal nonconformity was stifled successfully by preliminary censorship and by the relevant article of the criminal code. A different version of the same radical method of "dissuasion" was used on the "clever" foreigners: The product of their dangerous thoughts was kept in a special collection, far from the eyes of the

"untrained" Soviet reader, and the author was accused of slander and declared persona non grata.

The practice of concealing the works of Sovietologists inflicted great injury on our society. The most useful portion of the information about our country was inaccessible to Soviet social scientists. We were deprived of an opportunity to take an objective look at ourselves and to learn how our life looked to someone who was not encumbered by ideological blinkers and biases. Many political and economic errors might have been avoided if the country's leadership had listened without prejudice to the analyses of the Sovietologists.

I met Gerard Wild in the 1970s when I began attending the meetings of a working group of a Soviet-French commission in charge of the scientific and technical cooperation of the two countries. Later we met several times in Moscow and Paris at symposiums of the Institute of World Economy and International Relations and International Information and Forecasting Research Center. His speeches were distinguished by careful preparation, a thorough knowledge of his subject, and specific proposals aimed at the improvement of trade and economic relations between our countries. His department in the research center was responsible for studying the entire range of international economic contacts of the socialist countries. In the simulation model of the world economy used in the forecasting and planning of French economic development, Wild's department was "answerable" for the bloc of countries with what UN terminology refers to as centralized planning. The model consists of more than 20 blocs representing groups of all of the countries in the world.

Therefore, Wild's initial interest in the Soviet Union and other socialist countries of Europe was purely practical: He had to keep track of changes in their participation in international division of labor so that the government and administration could make informed decisions on the basic guidelines of their foreign economic policy, and so that businessmen could be guided by reliable information in their decisionmaking. As Wild's article certifies, he has a thorough knowledge of the sociopolitical parameters of our society as well as its foreign economic relations. He is one of the fairly large group of Western "narrow" specialists who know the price of taking a wide-ranging approach to a specific matter.

At this turning point in our development, can we get answers to questions about the prospects for the evolution of Soviet foreign economic relations only from published government decrees on ways of improving them? Anyone can see that there is an indissoluble connection between the possibility of implementing these decrees and the progress of perestroika within the country. Therefore, a preliminary analysis of perestroika processes and the assessment of their stability are an essential condition for sound decisions on foreign economic ties.

The main question Wild's article raises can be worded precisely: Why have the first 4 years of perestroika in the Soviet Union not enhanced the effectiveness of national production? Effectiveness has even declined, and the living conditions of the population have deteriorated. In search of an answer, Wild analyzes specific elements of the Soviet leadership's strategy and the public reaction to it. In essence, the French scholar is most interested in the mass mentality of the Soviet citizens. It is clear that explanations referring to the "enigmatic Slavic soul," the "Oblomov-like indolence," and others do not satisfy him.

Wild distinguishes between two aspects of the perestroika strategy: The first is the encouragement of civic activity and the modification of labor motivation on this basis, and the second is the development of the cooperative sector and joint (with the West) ventures. He says that glasnost and the expansion of freedom have not affected the attitudes of state enterprise workers toward their work. Furthermore, the development of the cooperative sector and individual enterprise have not lived up to consumers' expectations. Meanwhile, the old structures of central regulation underwent gradual erosion. The institution of new forms through the reform of pricing, the monetary system, and planning, however, was delayed by the fear of the total collapse of old structures.

Although Wild acknowledges the apparent ineffectiveness of these measures, he nevertheless believes that "there is nothing clearer or more correct than this general line of economic reform," although he agrees, of course, that the institution of all these reforms at once would be an extremely difficult matter. Besides this, the reformers are having difficulty working out the details of the transition period. In the final analysis, he is inclined to see the reasons for the slow development of perestroika in the public mentality, which was shaped by decades of government paternalism and the constant reversals in policy on monetary relations in the country (NEP, subsidiary farming, kolkhoz markets, and the aborted economic reform of the 1960s). People do not believe in the irreversibility of perestroika, and at the first sign of difficulty, which is unavoidable at any time of radical change, they look back with nostalgia to the stagnant but calm recent past. This is why they are so sensitive to personnel changes on the top level and are waiting to see what happens next.

In spite of the seeming validity of this general conclusion, I cannot agree with it. It seems to me that the problem is the original vague wording of the plan for economic perestroika and the mistakes in its implementation.

Now, after the conference of the country's leading economists in the CPSU Central Committee, we can defer to the authority of the head of state, who stressed that "we must review our theory with a view to the realities of our life."<sup>1</sup> These are the realities that were not taken fully into account in the first phase, and this is why the

measures which were taken produced little in the way of economic returns while striking a severe blow at public attitudes.

I am not speaking of the direct injury inflicted by the voluntaristic acts which were undertaken with the very best intentions: the anti-alcohol ukase and the struggle against non-labor-related income. It seems to me that the main mistake was the institution of different conditions of economic operation for cooperatives and state enterprises. It was wrong to establish a sector where the entrepreneur was free to make decisions on the hiring, firing, use, and wages of manpower, to set the prices of his products, and to choose his own suppliers and clients, right next to the state enterprises which were regulated to the point of absurdity. If these rights had been granted to state enterprises at the same time, the cooperatives could have played their designated role as competitors and as stimulators of production. Without this, and in an atmosphere of pervasive shortages, they turned into another pump, along with trade and the black market, sucking resources out of the sector with fixed prices into the sector with a market economy.

The state monopoly which springs up automatically in any regulated area of the circulation of goods, engenders rent, which private individuals put in their own pockets. They can do this simply because they are authorized to use the laws of the market while state enterprises are forbidden to do this.

The situation became more intolerable with each month and finally evoked a justifiable and profoundly negative reaction in most of the population. It could have been prevented by enforcing the Law on the State Enterprise, but as A. Sobchak correctly pointed out (precisely in connection with this law) in his speech at the previously mentioned conference, "the radical and reasonable decisions made in our society are effectively nullified later, and with complete impunity."<sup>2</sup> The state enterprises did not receive the promised relief from central diktat and, consequently, there was no competition with the cooperatives. If there was any interaction, it was mainly criminal in nature. All of this motivated the Supreme Soviet to try to alleviate the negative consequences of the official double standard of economic operation by imposing stricter regulations in the cooperative sector. This, however, was a regression from the main goal of releasing the initiative of enterprises and labor teams.

As I write this article, the press is filled with reports of the Supreme Soviet's discussion of the Law on Property. In most cases, it is portrayed as something just short of a cure for all of the ills of the authoritarian system. This is an illusion. Property relations are only part of the economic relations in any society. The Law on Property will suffer the same fate as the Law on the State Enterprise and the Law on the Cooperative if the central executive branch continues to control physical resources and to interfere in the daily affairs of enterprises on the pretext of "common interests," if enterprises are not granted the right to ignore unlawful orders from above,

and if all of the parameters of the foreign economic areas of enterprise operations (prices, interest rates, credit, production volume, etc.) continue to be set and changed by officials in charge of economic affairs.

Any reform, especially a radical one, is connected with the redistribution of power—of economic power in this case. It is as though the agents of the authoritarian system still have not realized (or do not want to realize) that the enhancement of the effectiveness of national production is unavoidably connected with the transformation of enterprises into an autonomous economic force independent of the center. These, in my opinion, are the reasons for the slow development of perestroika and the destabilization of the economy. When a driver steps on the accelerator and the brake at the same time, the car goes out of control.

#### Footnotes

1. PRAVDA, 30 October 1989.
2. Ibid.

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#### ACADEMIC POINT OF VIEW

##### Debt Crisis of Developing Countries: Search for Solutions

904M0009F Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 2, Feb 90 (signed to press 16 Jan 90) pp 75-84

[Article by Andrey Ivanovich Chekhutov, candidate of economic sciences and lead scientific associate at Institute of World Economy and International Relations, USSR Academy of Sciences]

[Text] A great deal has already been written about the fundamental importance of international credit relations to the future of the "Third World." They can establish conditions allowing the developing countries to make use of the achievements of scientific and technical progress and derive greater benefit from international division of labor, the effective mobilization of internal economic potential, etc. Around one-third of all the foreign monetary resources entering the "Third World" went there through international credit channels in the middle of the 1960s, in the 1970s the amount ranged from two-thirds to three-fourths, and in the beginning of the 1980s it had risen to four-fifths of the total. At the time of the worldwide economic depression of 1974-1975, foreign credit compensated for the slow growth, and even the absolute reduction, of export revenues and allowed the oil-importing developing countries to increase their imports and accumulate capital in those years.

The experience of the developing countries also confirms the negative implications of the extensive use of foreign loans. A combination of unfavorable external and internal conditions in several countries is diminishing the effectiveness of their use of foreign credit, and the payments on their debts are inhibiting the reproductive process.

The analysis in this article will concentrate on the group of "Third World" countries affected directly by the debt crisis and on the development of new approaches to this problem in the Western, developing, and socialist states.

#### Debt Factor in "Third World" Differentiation

The foreign debt crisis which has seriously disrupted payment commitments is certainly not a new development in the international financial relations of developing countries. The first agreement with one of these countries on the restructuring of its foreign debt was signed back in 1956. These agreements were rarely concluded before the beginning of the 1980s. Furthermore, the debts subject to review were relatively small (around 2 billion dollars a year between 1970 and 1981).<sup>1</sup> The turning point came in August 1982, when Mexico's announcement that it would stop making some payments was followed by similar declarations by several large Latin American countries, providing the grounds to call that year the start of the debt crisis. By 1983, 44 agreements had been concluded on new terms for the repayment of debts totaling 56 billion dollars.<sup>2</sup> In subsequent years, right up to the present time, the level of insolvency in the "Third World" was just as high or even higher.

When the debt crisis spread to a large group of countries, it ceased to be a local phenomenon and turned into a worldwide crisis when the countries affected included the most highly developed Latin American states and the least developed African countries. Another distinctive feature was the tenacity of the crisis. It has been going on for 7 years now, and not one of the countries experiencing severe upheavals has been able to normalize the situation yet.

We now have sufficient reason to point to a new facet in the differentiation of developing countries—they can be categorized in line with the nature of their international monetary relations. After the energy crisis of the mid-1970s, the "Third World" countries were categorized as capital-exporting and capital-importing states,<sup>3</sup> but then the start of the debt crisis divided the capital-importing states into two groups. One consisted of the countries which had been stricken by the debt crisis,<sup>4</sup> and the other was made up of the countries which had escaped financial and economic upheavals. The crisis-stricken countries were relegated to a special group because of considerations specifically related to credit and because of several other economic indicators.<sup>5</sup>

The distinctive features of the economic development of the countries suffering from the debt crisis are revealed in Table 1. The most striking detail is the dramatic debilitation of their economies just before 1982. The deficit in their balance of payments increased sharply. The rate of GDP growth fell within a single year from a high indicator to a negative figure while incoming foreign resources increased. This alone suggested serious internal problems. The status of their foreign debt, reflected in its relationship to the GDP, was a clear indication that it was putting a great strain on their economy.

Table 1. Key Indicators of State of Economy in Crisis-Stricken Developing Countries

Years	1979-80	1981	1982	1983	1985	1987	1988
Balance of payments, \$billions	-39.1	83.9	84.5	-31.7	-11.5	-18.3	-20.6
Foreign debt, \$billions	350.4	475.6	537.9	564.7	620.1	726.3	726.4
Relationship of foreign debt to GDP, %	33.8	38.0	41.4	44.8	46.9	47.4	47.4
Incoming currency resources, \$billions*	290.6	366.4	319.8	283.1	266.9	277.8	296.3
Net credits, \$billions	56.6	81.9	65.5	41.2	13.4	21.0	12.9
Interest payments, \$billions	-25.2	-45.9	-53.4	-49.5	-53.0	-40.4	-48.4
Credit balance, \$billions**	31.4	36.0	12.1	-8.3	-39.6	-19.4	-35.5
Capital investment rate, %	25.0	24.4	22.2	18.9	18.5	18.8	18.4
Rate of GDP growth, %	5.3	-0.6	0.7	-1.5	3.3	2.2	1.9

\* Combined revenues from exports of goods and services and incoming credit and non-credit foreign resources, minus fixed capital payoffs and depreciation.

\*\* Difference between net incoming credit and interest payments.

Source: "World Economic Outlook," IMF, Washington, 1987, 1989.

This indicator plays an important role in long-range assessments of the state of the economy in developing countries, which generally have limited export potential and no effective internal monetary mechanism. As a result, the countries are extremely vulnerable to unfavorable changes in world market conditions, especially when they occur simultaneously in several spheres—for example, in trade and credit. According to IBRD statistics, the level of vulnerability, measured in this manner, of the crisis-stricken countries was already 1.7 times as high as the average indicator for the "Third World" by the end of the 1970s.<sup>6</sup>

Another sign of the pronounced instability of the economies of these countries and the group's dependence on external conditions is the growing deficit in state currency reserves. The absolute amount grew until 1980, when it reached 53.2 billion dollars, but then it fell to 28 billion by 1982. Whereas existing reserves in 1978 were enough to finance one-fourth of annual imports of goods

and services, by 1982 they could pay for only one-tenth of the already reduced imports.<sup>7</sup> Behind all of these reversals, there were longer-range tendencies, and these paved the way for the debt crisis.

The distinctive features of the situation in the crisis-stricken countries are underscored by the state of the economy in the other, more fortunate group of capital-importing states in the "Third World."<sup>8</sup> The state of their economies is illustrated in Table 2. It shows that the countries which were not suffering from monetary upheavals at the end of the 1970s and the beginning of the 1980s were in a completely different position. During this period, the only one of all these economic indicators that could have aroused some concern was the growing deficit in the balance of payments (a 1.5-fold increase in 1981 alone). Even this balance, however, was below the average indicator for the entire "Third World" in the previous decade in relation to the GDP.<sup>9</sup> Therefore, these countries had a strong economic base during the crisis of 1980-1982 in the world capitalist economy.

**Table 2. Key Indicators of State of Economy in Developing Countries Escaping Debt Crisis**

Years	1979-80	1981	1982	1983	1985	1987	1988
Balance of payments, \$billions	-17.9	-29.8	-27.8	-29.7	-27.3	1.4	-0.4
Foreign debt, \$billions	203.4	227.2	257.7	282.8	351.6	440.8	450.7
Relationship of foreign debt to GDP, %	20.3	21.9	24.6	26.0	31.4	33.7	29.9
Incoming currency resources, \$billions*	294.4	314.7	312.5	311.4	340.4	410.4	487.1
Net credits, \$billions	33.4	35.5	36.7	35.4	30.1	10.1	16.5
Interest payments, \$billions	-12.6	-18.2	-20.9	-20.4	-24.6	-27.4	-30.2
Credit balance, \$billions**	20.8	17.3	15.8	15.0	5.5	-17.4	-13.7
Capital investment rate, %	28.4	27.8	27.0	27.1	28.6	27.7	27.9
Rate of GDP growth, %	5.0	5.1	4.7	6.4	6.1	6.1	7.6

\* Combined revenues from exports of goods and services and incoming credit and non-credit foreign resources, minus fixed capital payoffs and amortization of credit.

\*\* Difference between net incoming credit and interest payments.

Source: "World Economic Outlook," 1987, 1989.

#### Accumulation of Financial and Economic Difficulties

How did the situation in the two groups of capital-importing countries of the "Third World" change after 1982? There is every indication that the deciding element of the set of indicators in question was the indicator of incoming currency resources. It signified the limit on possible currency expenditures, including expenditures on imported machines and equipment. In the crisis-stricken countries the annual volume of incoming resources began decreasing perceptibly in 1981 and continued to decrease until 1986. There was a slight increase in subsequent years, but by 1988 the incoming currency resources still had not reached the level of the beginning of the crisis even in current prices. The reduction of proportional new currency receipts in the

GDP was even more substantial. According to approximate estimates, this figure fell from 29 percent in 1981 to 18 percent in 1986 and 19 percent in 1988. Of course, there might be some argument as to whether the reduction of annual incoming resources was the cause or the effect of the debt crisis. In all probability, it was both.

There is a fairly widespread assumption that the currency hunger of the crisis-stricken countries was caused by the policies of the foreign private banks which virtually ceased to credit these countries in 1984. This, however, could hardly be the only explanation for the acute monetary upheavals in this group of countries. The unfavorable dynamics of their own export revenues constituted another important reason, at least until 1986. The importance of this factor is also confirmed by the experience of the countries which were not suffering

from the crisis and which had been able to counteract unfavorable developments in the capital market by increasing their exports of goods and services, not only compensating for the decrease in incoming bank credit, but also accomplishing a perceptible (almost 1.5-fold) increase in total incoming monetary resources.

There is no simple explanation for another important element of the monetary situation in the developing countries—the dynamics of the balance of payments, in which a reduction of the negative balance is usually one of the conditions of economic recovery and the stabilization of economic development. After 1982, the crisis-stricken developing countries were the first to feel the negative effects of the equalization of the balance of payments, because the reduction of the deficit was largely a result of import cuts. This, in turn, created a solid chain of interrelated negative changes. The reduction of imports of means of production combined with cuts in purchases of crude resources and materials lowered the capital investment rate. The deceleration of the investment process caused the decline of production growth figures. This was followed by the reduction of national savings. The low savings rate then had a restraining effect on internal capital investment and on the proportional funds made available for payments on debts to maintain a good credit rating and, consequently, to obtain new loans. The chain closed, as Table 1 illustrates, when the reduction of incoming credit resources was accompanied by the decline of the investment rate and a substantial decrease in production growth figures.

There is every indication that the debt crisis will continue and will even grow more severe in many developing countries. In spite of the impressive scales of debt review operations, accumulating deferred payments are acquiring colossal proportions. In 1988 they amounted to around 52 billion dollars,<sup>10</sup> equivalent to almost two-thirds of all the debt payments of this group of countries that year. For the first time in the postwar period, an absolute credit resource drain began to be registered in 1983. By 1988 it totaled 151.1 billion dollars for the 6 years, or more than half of the combined accumulations of these countries in 1988. Because of the declining rate of economic growth, the population of the crisis-stricken countries has regressed more than 10 years in per capita annual income, and the position of the least protected social strata has displayed the greatest deterioration. The most serious result is the merger of the monetary crisis with ordinary economic crises. The reproductive potential of these countries and their socio-political stability are in jeopardy.

Both centers of the debt crisis—Latin America and Tropical Africa—have suffered colossal economic injury. There are definite differences, however, between the stricken countries, especially in the combination of structural and transitional factors contributing to the recession. In the countries on the middle level of development with a relatively diversified economy, the shortage of working capital in the form of currency was

the first problem to arise, although it certainly was not the only problem. The rest of the countries, with their undiversified exports, were the first to need substantial additional foreign resources to finance investment. The hardest hit were the states of Tropical Africa, where 29 of the 41 least developed "Third World" countries are located. Their debt payments, according to existing agreements, should increase by 2-2.5 times in the next few years,<sup>11</sup> although most of these countries are already almost insolvent.

The results of the development of states which managed to escape the debt crisis were much more promising in 1982-1988, but their position is far from secure. The excess of outgoing funds over incoming resources in credit channels since 1986 poses a real threat. The gap is still small, but its continued presence for 3 years in a row is certainly an alarming symptom. Serious problems could arise in the future, especially in view of the current tendency toward a rise in interest rates in the world market. Another indication of strain is the much quicker growth of the foreign debt in relation to GDP growth. Although this important indicator declined slightly in 1988, it was still almost 1.5 times as high as it had been in the late 1970s and early 1980s.

#### Peculiarities of Western Policy

The Western powers' attitude toward the debt crisis in the "Third World" is distinguished by pronounced ambiguity and contradictory tendencies. By perpetuating the crisis, they can exert pressure on the foreign and domestic policies of emerging countries. The debts help to perpetuate the existing system of relations between these countries and the West, inhibit their activity in the international arena, and exacerbate friction and differences of opinion in the "Group of 77" and in other associations of developing states.

It is also obvious, however, that the effects of the debt crisis are arousing anti-Western feelings in the developing countries and preventing constructive North-South dialogue. Anti-American demonstrations have been particularly vociferous in Latin America. For this reason, the West's ability to use the debt crisis for political purposes is seriously limited by the mounting social and political tension in the crisis-stricken countries. The importance of the political factor in Western responses to the debt crisis in the "Third World" was openly admitted, for example, by THE BANKER. This magazine said that the "Baker Plan" was essentially an attempt to discourage people from following the example of Alan Garcia, who had won a triumphant victory in Peru by suggesting the refusal to repay the debts.<sup>12</sup>

The economic interests of developed capitalist states reveal even more complex patterns. On the one hand, the debt crisis produces additional profit for transnational banks. Taking advantage of the limited access of the main crisis-stricken countries to international capital markets, the banks charged extremely high commissions to finance foreign trade transactions in 1988 even in the

presence of sound payment guarantees—4 percent over the cost of inter-bank credit.<sup>13</sup>

The monetary difficulties of developing countries are giving foreign private capital easier access to these countries and allowing it to obtain more favorable terms in trade, credit, payment, and other operations.<sup>14</sup> On the other hand, the continuation of the debt crisis could cause heavy losses for transnational banks by restricting the maneuverability of resources, necessitating the partial reduction of the debts or the deferment of payments, etc. After all, by the beginning of 1988 the long-term credits of these banks, totaling 371.4 billion dollars, equivalent to 22.6 percent of their combined overseas assets, or 72.5 percent of the funds invested in the crisis-stricken "Third World" countries, were virtually frozen in these countries.<sup>15</sup>

Furthermore, slower production growth in the countries experiencing monetary difficulties and the policy of austerity instituted there have already reduced their imports of goods from developed capitalist states perceptibly. The volume of TNC operations in the debtor countries was reduced for the same reasons. The West's actual and potential losses from the debt crisis in the developing world are already comparable to the profit they have made, and there is a clear tendency toward the quicker growth of losses. This is promoting a more vigorous search for ways of alleviating the monetary difficulties of the developing countries.

The divergent political and economic interests in the West are supplemented by differences in the methods used by individual Western states and by governments and private banks to counteract the crisis. There is no complete unanimity even among private banks in different countries. All of these different influences shaped the general policy of the developed capitalist states and predetermined the peculiarities of its evolution. When we examine Western policy as a whole, we can see three distinct phases.

During the first phase, which began at the end of 1982 and ended in the second half of 1985, there was an emphasis on the localization of debt crises in individual developing countries. Efforts were made to prevent a chain reaction, which could undermine the international credit system and cause turmoil in the world economy. People still remembered the crisis of the 1930s, which also began in the credit sphere. Western policy also had the purpose of forcing each debtor country to combat the crisis alone and, what was most important, to continue making payments on its debts.

The measures the West took were confined to the consolidation and the postponement of some current or already deferred payments. The "stabilizing program" the IMF drew up for each debtor envisaged the sharp reduction of the deficit in the balance of payments and state budget primarily through cuts in imports and the reorganization of the state sector. The extension of new bank credit was made conditional upon the acceptance

of these programs. Furthermore, the debtors were advised to pay the interest on their earlier debts first. The new mechanism of debt negotiation created a situation in which the individual debtor country had to face the entire group of Western creditor states, represented by the "Club of Paris," or private banks, represented by the "Club of London."

This policy did produce some results. It limited the negative effects of the debt crisis in the "Third World" on the international monetary system, which was undergoing a profound internal restructuring at that time, and eliminated the immediate threat of the bankruptcy of transnational banks. The debt crisis itself remained unresolved, however, and, as Table 1 illustrates, the financial and economic status of the crisis-stricken countries continued to decline.

The exacerbation of financial and economic difficulties, followed by the aggravation of sociopolitical problems at the end of 1985 in the debtor countries, motivated the developed capitalist states to reconsider their earlier posture. The most significant move in this direction, which marked the transition to the second phase of Western debt policy, was the "Baker Plan" (named after then U.S. Secretary of the Treasury J. Baker, who set forth the contents of the plan at a regular joint session of the IMF and IBRD in Seoul in October 1985). His plan was proposed as the outline of a general Western strategy in dealing with the 15 largest debtors. The plan made three stipulations: a) The debtor countries would have to restructure production and increase output; b) international monetary establishments would play the central role in the resolution of foreign debt problems, including the extension of additional loans of 9 billion dollars by development banks in the next 3 years; c) private banks were expected to extend new credits, totaling 20 billion dollars, in the next 3 years.<sup>16</sup>

The "Baker Plan" was significant primarily because it underscored the importance of stepping up national production growth to surmount the debt crisis, which is something that was ignored in the IMF's "stabilizing programs." The new plan, however, also had obvious flaws.

Even if the additional flow of foreign resources the plan envisaged could have been secured, it would not have been enough to increase accumulations or even to compensate for interest payments. The main defect of the program, however, was probably the failure to envisage any reduction in the flow of monetary resources out of the debtor countries. Without this, any appreciable recovery of the crisis-stricken national economies was out of the question. These flaws soon became apparent. The "Baker Plan" did not solve any of the national or international problems of the debt crisis.

#### Decisive Shifts in the Position of the "Seven"

The continuation of the crisis created an extremely difficult situation, essentially a deadlock, for a large group of "Third World" states. The depletion of their

internal resources was compounded by the virtually complete loss of their credit rating in the international capital markets. As a result, most of them could not take advantage of the substantial rise in demand in the developed capitalist states from 1986 to 1988 to increase their own exports noticeably. In the countries which did manage a perceptible increase in export revenues, the state of the economy did not improve, because most of this income was used to make payments on the debts. Under these conditions, the leaders of the Western world began to realize the impossibility of emerging from the deadlock with their earlier policy, which had been backed up only by spontaneous market forces and the attraction of a small percentage of the credit of international financial establishments.

A new Western strategy gradually took shape. Its basis was the "Mitterand Plan," proposed by the president of France at a conference of the "seven" in Toronto in 1988, the "Brady Plan," announced by U.S. Secretary of the Treasury N. Brady in March 1989, and the recommendations of the IMF, IBRD, and OECD. The announcement of the "Brady Plan" could be regarded as the point at which the new strategy was formulated and, consequently, as the start of the third phase of Western debt policy.

This strategy consists of three main sets of recommendations. The first are addressed to the crisis-stricken countries and concern their acceptance of profound economic reforms.<sup>17</sup> These include the improvement of the state budget, changes in the pricing system to meet the needs of a market economy, and the institution of social programs to enhance the role of the human factor in economic development. The recommendations in the foreign economic sphere envisage the liberalization of trade and currency regulations and the establishment of a realistic currency exchange rate.

The second set of recommendations was aimed at reducing the payments of the countries stricken by the debt crisis. Differences in the status of individual groups of debtors were taken into account. The states with the lowest per capita income, primarily the least developed countries of Tropical Africa, were given special consideration. Several Western states (England, Holland, Denmark, Canada, the United States, France, the FRG, and Japan) agreed to write off all or part of their debts on preferential government credits. In 1989, for example, the intention to write off these debts was announced by France (for a total of 2.5 billion dollars) and the United States (1.3 billion).<sup>18</sup> Some developed capitalist states pledged to redeem and repay some of the bank debts of the least developed countries and also agreed to accept payment on credit in the national currency of the debtor country.

Significant privileges were also envisaged for the least developed countries in the case of state export credits (the "Mitterand Plan"). The creditor countries were requested to choose one of three methods of dealing with the existing debt: They could either write off one-third of

the debt and defer payment on the remaining two-thirds for 14 years, with interest charged at the market rate; or defer the entire sum for 14 years, with interest charged at 3.5 percent below the market rate or half of the market rate if it should fall below 7 percent per annum; or defer all payments for 25 years, but with interest charged at the market rate.

To alleviate the monetary difficulties of developing countries with an average per capita income, the recommendations envisaged adjustments in traditional methods of solving international debt problems. These adjustments included, for example, the refinancing of debts for longer periods and on better terms, the renegotiation of short-term debts as long-term debts, and the reinforcement of the system of export credit insurance. In 1989 the possibility of reducing the total foreign debt and related payments was first extended to this group of debtors. This was the most significant provision in the "Brady Plan," which envisaged the resolution of the problem partly by redeeming existing debts at a discount or exchanging promissory notes—also at a discount—for new credit instruments. These operations were to be financed by the IMF and IBRD and by voluntary contributions from Western governments.

The outlines of this plan were set forth in THE WALL STREET JOURNAL.<sup>19</sup> According to its estimates, the "Brady Plan" could solve the debt problems of 39 countries with liabilities of 340 billion dollars. The implementation of this plan was expected to reduce the sum by around 20 percent in the next 3 years and reduce debt payments by the same amount (around 20 billion dollars). These calculations were based on the assumption that the debtor countries would be able to repay the debts at a discount of around 30-60 percent of the nominal sum, and that payments on the remaining debt would be spread out over 30 years. The first experiment in carrying out the "Brady Plan" was the agreement concluded with Mexico in July 1989,<sup>20</sup> which reduced most of this country's debt to foreign banks (54 billion dollars) by 35 percent, or almost 19 billion dollars.

The third set of recommendations should have increased the flow of foreign monetary resources into the crisis-stricken countries.<sup>21</sup> Within the IMF framework, the amounts offered in preferential aid to developing states with a low per capita income were increased in 1987 from 2.7 billion SDR units to 9 billion. In addition, that same year, an extended restructuring fund in the amount of 6 billion SDR units was organized. The crisis-stricken African countries with a low per capita income were to receive additional government funds from the developed capitalist states and IBRD funds. To this end, 6.4 billion dollars was to be sent there between 1988 and 1990, including 3 billion in the form of government aid. Around one-third of the regular financing program of the International Development Association for 1988-1990 was also earmarked for these countries.

Around 20 billion dollars in IMF and IBRD funds in the next 3 years was earmarked to finance operations to

reduce the foreign debt and interest payments of developing countries with an average per capita income. Japan agreed to contribute 10 billion dollars for the same purpose.

An analysis of the new Western strategy as a whole reveals some elements of continuity and some significant departures from earlier approaches to the debt problems of the "Third World" countries. For example, the previously defined main goals of Western policy—the restoration of the necessary rates of economic growth in the developing debtor countries, the reinforcement of the market economy there, and the restoration of the solvency of the crisis-stricken countries—were substantiated more thoroughly and concretely. At the same time, there is a slight departure from some of the key provisions of the earlier policy, such as the absolute priority of market forces, the restriction of direct participation by the governments of creditor states in the resolution of international debt problems, the transfer of the whole burden of the debt crisis to the developing countries, and the impermissibility of sweeping write-offs by governments and private creditors.

Of course, it is still too early to conduct complete and final evaluations of the effectiveness of the West's new debt strategy, but doubts are already being expressed with regard to the possibility of its successful pursuit in the interest of the debtors and the creditors. First of all, people are saying that the recommended measures could hardly supply the crisis-stricken countries with enough monetary resources to compensate for their own shortage of funds for the simultaneous augmentation of production output, institution of structural reforms, and observance of payment schedules. This is the conclusion of experts from ECOSOC and UNCTAD.<sup>22</sup> Second, according to influential members of the banking community, the proposed incentives are not strong enough to motivate private banks to write off a large portion of the foreign debt and to lower payments.<sup>23</sup> Third, some people are saying that a serious defect of the new strategy is the failure to create an international monetary mechanism which could not only resolve the present debt crisis, but also establish reliable prerequisites for the prevention of extraordinary monetary upheavals in the future or at least neutralize their effects considerably. The IMF and IBRD have been assigned this role but cannot perform all of the functions of this kind of mechanism because this would be inconsistent with their status.

#### New Approaches in Policies of Developing Countries and Socialist States

Under the influence of the continuing and, in terms of many parameters, increasingly acute debt crisis, the developing countries were finally able to surmount their internal differences of opinion after lengthy debates and to propose a comprehensive program for the regulation of foreign debts at the sixth conference of ministers of the "Group of 77" in April 1987.<sup>24</sup> It envisages: a) the linking of payments with the actual solvency of the

borrower by limiting the payments to a specific percentage of export revenues or GNP; b) the considerable lowering of interest rates on government and government-secured debts on credit extended prior to 1987; c) the cancellation of indebtedness on government credit extended to the least developed countries and the countries of Tropical Africa; d) measures by the governments of developed countries to give banks more flexibility in revising the rate and terms of interest payments on credits extended prior to 1987, in lengthening terms for the consolidation of credit obligations and the repayment of most of the debt, and in extending new credits; e) the negotiation of changes in the terms of indebtedness without the need to conclude preliminary agreements with the IMF; f) the augmentation of the resources of international monetary establishments.

This program marked the beginning of noticeable changes in the debt policies of developing countries. It signalled a departure from the politicized statements, frequently of a confrontational nature, addressed to the industrially developed states. Furthermore, this document and the economic declaration of the Ninth Conference of Heads of State and Government of Non-Aligned Countries in Belgrade in September 1989 underscored the urgent need to arrange for a dialogue on the basis of shared responsibilities and cooperation among all participants in debt relationships—the governments of developing and industrially developed states, private banks, and international monetary establishments.<sup>25</sup>

There are some contradictions, however, in the earlier position of the developing countries and in their new stance. In their collective official documents, they confine the struggle to surmount the debt crisis only to changes in international monetary and other foreign economic conditions, without mentioning internal factors. On the level of national policy, on the other hand, most of the crisis-stricken countries have adopted and are carrying out, more or less consistently, programs for the adaptation of their economies to the requirements of the world market and are striving to make fuller use of the cost instruments of economic management.

The present approach of the "Third World" countries reflected and stimulated the consolidation of their economic autonomy. Their position in negotiations with private banks grew stronger. In this respect, the largest debtors among the crisis-stricken countries present particularly vivid examples.<sup>26</sup> According to the latest IMF annual report, these countries' own policy was one of the factors motivating the IMF and IBRD to increase the volume and improve the terms of crediting for crisis-stricken countries without delay. After making this decision in May 1989, the IMF approved credits that same month and at the beginning of the next month to Costa Rica, the Philippines, Mexico, and Venezuela to finance operations for the reduction of their foreign debts.<sup>27</sup>

The deterioration of monetary conditions in the "Third World" countries, and especially the debt crisis, seriously injured their economic ties with the USSR and

other socialist countries. Their insufficient export resources were one of the main reasons for the growing imbalance in trade with the socialist countries. The growth rate of USSR imports from the developing countries, for example, slowed down abruptly in the first half of the 1980s, and after 1985 there was a dramatic reduction in the absolute volume of imports. Whereas deliveries from developing countries financed 74 percent of Soviet exports to those countries in 1980, the figure was only 56 percent in 1988.<sup>28</sup> The result was not only a substantial increase in extended Soviet credits, but also more frequent cases of nonpayment by "Third World" partners. This compounded the USSR's own acute shortage of goods and currency. The continuation of economic cooperation with these countries on a mutually beneficial basis necessitated serious changes in Soviet credit policy.

The changes were delayed by the Soviet approach, which had been an established policy in the USSR since the 1960s, to economic cooperation with developing countries as a sphere separate from all other world economic ties. For this reason, the search for solutions to debt problems was conducted only within the confines of bilateral relations. This approach produced the desired results with only partial and short-term monetary difficulties for the recipients of Soviet credit, but it could not prevent the general and long-term deterioration of their solvency or guarantee the complete repayment of borrowed capital. Furthermore, it led to the USSR's self-isolation in international economic relations and prevented the coordination of the efforts of debtors and creditors on the international level.

The spread of the new thinking to the international economic relations of the USSR made changes in Soviet credit policy possible. The Soviet Government's 1987 proposals on the alleviation of the debt burden of the developing countries were an important step in this direction.<sup>29</sup> They directed the attention of the international public to the basic guidelines of necessary agreements on debts owed to governments and banks and the methods and conditions of solving existing problems. M.S. Gorbachev's speech in the United Nations in December 1988 was of fundamental importance in shaping the Soviet Union's new position on the debts of the "Third World" countries.<sup>30</sup> In his opinion, the first and most essential condition was the recognition of existing realities, including the fact that many developing countries were incapable of repaying their debts on the previously negotiated terms. What they needed was not a series of isolated and partial measures to lighten the debt burden, but a respite for the fuller mobilization of internal resources and the institution of the necessary structural reforms. This goal would be served by the proposed set of measures, including the long-term suspension or cancellation of the earlier debts of the least developed countries, the possibility of limited payments on official debts for other developing countries, depending on the state of their economies, the reduction of indebtedness to private banks, and the more vigorous

use of market methods of solving the debt problems. The speech demonstrated the applicability of the principles of the new thinking to this specific sphere of international economic relations and substantiated the need for an international approach to the resolution of debt problems in the "Third World."

Any concise overall assessment of the present phase of the debt crisis in a large group of developing countries would probably have to be an acknowledgement of its critical nature. On the one hand, the deep and increasingly insurmountable disruption of the national economies and the explosive situation in the crisis-stricken developing countries pose a real threat to the process of economic and political recovery. Today there is no longer any doubt that delays in the resolution of existing problems will hurt all of the members of the world community in the future and raise the price of any measures taken in the future.

On the other hand, today the subjective as well as objective prerequisites for fundamental solutions already exist. They consist in the progressive improvement of the world political climate, promoting the conclusion of agreements among all groups of states. The search for mutually acceptable solutions has been simplified by the 7 years of consistent economic growth and monetary stability of the Western states representing the crisis-stricken countries' chief creditors. Another indisputably positive factor is the acknowledgement of the urgent need to surmount the debt crisis by all participants in international economic relations. Furthermore, each group of states—developed capitalist, developing, and socialist—has its own, more or less developed, strategy for the resolution of the problem. In addition, the strategies of different groups of states have converged perceptibly and are mutually supplementary to some extent.

The elaboration of a mutually acceptable international debt strategy might be an essential condition for the use of existing prerequisites and the first stage in the effective resolution of the debt problems of the "Third World." It would be based on a balance of the interests and responsibilities of all participants in world financial relations. This kind of strategy presupposes agreement by all participants in intergovernmental cooperation on the general principles of a credit policy in the crisis-stricken countries. The establishment and use of an international mechanism for the exercise of these principles will be particularly important. This mechanism could secure the combination of political decisions on the intergovernmental level with the use of economic methods and instruments to carry out these decisions. It could also promote the conclusion, and verification of the observance, of multilateral and bilateral agreements on the regulation of foreign debts.

Of course, the difficulties entailed in the elaboration of an international strategy for the regulation of the foreign debts of developing countries must not be underestimated, but success in this area would be of tremendous

significance. This strategy would not only simplify the resolution of one of the most acute problems in the world economy. It could also prevent new upheavals of this kind and lay the foundation for stable credit relations between all states, regardless of their level of development or social order. This strategy would also be assigned the important function of directing the theory of the unity and interdependence of the world economy into practical channels.

#### Footnotes

1. MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA, 1985, No 3, p 62.
2. "World Debt Tables. 1988-89 Edition," vol 1, Washington, 1988, pp XLIV-XLVI.
3. The eight capital-exporting states are Iran, Qatar, Kuwait, Libya, the UAE, Oman, Saudi Arabia, and Taiwan. According to data for 1985- 1987, they accounted for 20.4 percent of the exports of goods and services, 13.3 percent of the GDP, and 5.1 percent of the foreign debt of the entire "Third World" (WORLD ECONOMIC OUTLOOK, IMF, April 1989, p 119).
4. According to the IMF definition, this is the group of countries which failed to keep up with payment schedules or signed agreements on the restructuring of their foreign debts after 1982.
5. At the beginning of 1989 there were 73 states in this group. In 1985-1987 they accounted for 59.8 percent of the foreign debt, 46 percent of the GDP, and 33.4 percent of the exports of goods and services of the entire developing world (WORLD ECONOMIC OUTLOOK, p 119). The publications of the IMF contain the basic statistics for the analysis of economic processes in the developing countries with a critical foreign debt. The IMF system for the classification of countries (and the similar systems of the IBRD and OECD) differs from the UN system because it includes Hungary, Greece, Poland, Portugal, Romania, and South Africa among the developing countries.
6. "World Development Report 1985," IBRD, Washington, 1985, p 24.
7. WORLD ECONOMIC OUTLOOK, April 1986, pp 239, 240.
8. Today there are 53 countries which have not experienced debt-related upheavals; they are responsible for 35.2 percent of the foreign debt, 40.6 percent of the GDP, and 46.2 percent of the exports of goods and services of the entire developing world (WORLD ECONOMIC OUTLOOK, April 1989, p 119).
9. "World Development Report 1985," p 17.
10. "Annual Report 1989," IMF, Washington, 1989, p 8.
11. "World Debt Tables. 1988-89 Edition," pp 34-36.
12. THE BANKER, February 1989, p 16.
13. "Financial Flows to Developing Countries Quarterly Review," IBRD, June 1989, p 6.
14. When the agreement changing the terms of foreign bank indebtedness was concluded in July 1989, the Government of Mexico authorized creditors to increase annual exchanges of promissory notes for stock in national enterprises to a sum of up to a billion dollars for 3.5 years. This was defined as the foreign banks' greatest advantage in this agreement by THE ECONOMIST, although they had insisted on an annual exchange of 3 billion dollars when the negotiations began (THE ECONOMIST, 29 July 1989, p 66).
15. Calculated according to data in: WORLD ECONOMIC OUTLOOK, 1989; "Bank for International Settlements. 58th Annual Report," Basel, 13 June 1988.
16. FORTUNE, 23 December 1985, p 65.
17. "Development Cooperation. 1988 Report," OECD, Paris, 1988, p 111.
18. Ibid., pp 114-115; "Trade and Development Report, 1989," UNCTAD, New York, 1989, p 53.
19. THE WALL STREET JOURNAL, 16 March 1989.
20. THE ECONOMIST, 29 July 1989, p 65.
21. "Development Cooperation. 1988 Report," pp 112-114; "Trade and Development Report, 1989," p 47.
22. "World Economic Survey 1989," UN, New York, 1989, pp 68, 78; "Trade and Development Report, 1989," pp 48, 52.
23. THE ECONOMIST, 29 July 1989, p 65; EUROMONEY, June 1989, p 11.
24. "The Havana Declaration," Doc.77/MM(VI)/3, 6 July 1987, pp 28-29.
25. "Ninth Conference of Heads of State or Government of Non-Aligned Countries," NAC 9/EC/Doc.2/Rev.3, 7 September 1989, pp 1-4.
26. "The banks realized that decisions on the monetary policy of Brazil or Mexico will ultimately be made in the capitals of these states, and not in IMF headquarters in Washington," remarked THE FINANCIAL TIMES (3 October 1985).
27. "Annual Report, 1989," p 25.
28. The statistical almanacs "Vneshnyaya torgovlya SSSR 1922-1981" [USSR Foreign Trade in 1922-1981], Moscow, 1982, p 9; "Vneshnyaya torgovlya SSSR v 1988 g.," Moscow, 1989, p 8.
29. E.A. Shevardnadze, "Soobshcha stroit vseobshchuyu bezopasnost" [Building Common Security Together], Moscow, 1987, p 13.
30. PRAVDA, 8 December 1988.

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## DEBATES

### Socialist Orientation: Old Illusion or New Reality?

904M0009G Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 2, Feb 90 (signed to press 16 Jan 90) pp 85-90

[Article by Oleg Stepanovich Volgin, candidate of philosophical sciences and docent in the Philosophy Department of the University of Friendship Among Peoples imeni Patrice Lumumba; passages in boldface as published]

[Text] We must agree with A.V. Kiva that the theory of socialist orientation and its conceptual basis, the theory of the non-capitalist pattern of development, are now experiencing a crisis of confidence.<sup>1</sup> This crisis was clearly demonstrated in our social thinking when the perestroika processes began, but its roots go back at least to the last decade, when certain developments in the economic and political affairs of the countries with a socialist orientation appeared to be incompatible with the goal of socialism (such as bureaucratization and corruption) and were being discussed with some apprehension in the academic community even then.

Besides this, the more pronounced stagnation of the world socialist system on the one hand and the mounting neoconservative tendencies in the economics, politics, and social thinking of the developed capitalist states on the other were filling social life in the countries which had declared their commitment to socialist ideals with more and more elements which were not part of the familiar socialist paradigm.

It would be wrong, however, to interpret this as a sign of prevailing capitalist tendencies in these countries. The classic bourgeois pattern of development, with its inherent characteristics, such as the unrestricted subordination of labor to capital, the depersonalization of social relations, and the measurement of all values in terms of their cost—i.e., everything that has always been criticized by the progressive general public—can no longer be a conscious choice anywhere in the developing world. First of all, capitalism itself in the developing countries is not what it was at the beginning of the century. To a considerable extent, the capitalism there has already outgrown its definition, and as it moves further into the scientific and technical era, it accumulates more and more of what K. Marx called the "material conditions of production and corresponding social relations needed for a classless society."<sup>2</sup> Understandably, these are the very elements of the new and progressive society that progressive forces in the emerging states would like to adopt and develop. Besides this, the strongest antibourgeois resistance is still found in the

depths of the traditional lifestyle, which still exists despite the processes of modernization.

Furthermore, the authoritarian model of socialism, with its extra-economic forms of socialization, artificial collectivism, and utopian ideal of the new man, has been completely discredited. The reliance on commercial relations as the most effective and natural means of economic development, the autonomous role of the banking system with its wealth of attributes instead of voluntaristic centralized funding, the broad-scale attraction of foreign capital, and the growth of the private sector and partial privatization of the state sector are becoming the dominant factors in the economic policy of ruling groups in the socialist-oriented countries, backed up by the public feelings in support of pluralism and liberalization.

What is this, a genuine departure from socialist goals or a search for new roads leading to them? It is no coincidence that the idea of a third road is alive and flourishing in the "Third World." Furthermore, a modified version of this theory, the idea of a fourth road, came into being not long ago. In essence, it presupposes the construction of "socialism with a humane image" on the basis of the positive experience of the world's social democrats and revolutionary democrats, with the use of the achievements of scientific and technical progress and with a view to the ethnic and cultural distinctions of each nationality.

I will not attempt to judge the validity of these ideas here. I simply want to say that the denial of the socialist orientation per se would be just as senseless as the denial of socialism and the socialist tendency in general. The socialist orientation is an objective phenomenon which does exist and will be developed regardless of whether we see it or not and regardless of whether we acknowledge its right to call itself by this name or we use this term to define something different for subjective reasons of our own.

Today many people are wondering what kept us from seeing socialism and the socialist orientation in their true light. In his article, which is so valuable because of his frank and discerning observations, A.V. Kiva discusses the flaws in this theory and in research procedures and even the shortcomings in the material and technical base which led to the denial of the socialist orientation. Many people felt that it had disappeared or had degenerated when the real problem was the clearly limited nature of our theory, which had once been wrongfully placed at the service of a subjectivist ideology. As a result of all these negative processes, uniformity and conformity were predominant in our science. Marxism was vulgarized along with one of its most important elements—scientific socialism.

How did this affect the theory of socialist orientation, which many identified with the theory of the non-capitalist pattern of development in contemporary history? First there was the disastrous decline of the level of theorizing. Scientific concepts were replaced with ideas

calculated to appeal to the mass reader, and logical arguments were replaced with references to authorities. The axioms on which the theory of socialist orientation was based were a few remarks made at least 70 years before by the founders of Marxism about the possibility of a non-capitalist choice. The main thing, however, was that the simplified ideas were based on vulgar materialistic interpretations of several statements about the world revolutionary process.

This side of the matter warrants special consideration, and this is why I am taking the liberty of discussing a few of what I would classify as the basic assumptions about socialist revolution, the main conflict of the present era, and the role of superstructure in socialist reform, especially in view of the natural interrelationship of these assumptions.

In the performance of their social duty, the founders of Soviet sociology tried from the very beginning to prove the historically exclusive nature of the socialist revolution. They saw this exclusivity in the fact that the revolution interrupted the development of capitalism and established a fundamentally new set of relations, free of private ownership, the exploitation of some people by others, alienation, and other "abominations" of the exploitative orders. In their opinion, these new relations could not be engendered in a capitalist atmosphere even in the form of elements, not to mention a system. As they assured us, these new relations made their appearance only after the revolution, after political power had been taken over by the laboring public, headed by the most progressive segments of the proletariat. There was the assumption that a socialist revolution would cut a country off completely from the capitalism in the outside world and simultaneously "extinguish" any remaining capitalist elements within the country.

Taken to its logical extreme, this assumption would be an acknowledgement that a new type of civilization had already been established in one part of the world.

As a result, the main conflict of the present era began to be given a geographic interpretation. It was easy to portray the world as a planet split into two camps: the capitalist countries and the socialist countries. In line with this naturalistic assumption, there were many states in between the two camps which had recently won their independence and had to choose one of the camps, or one type of civilization. Even later, when we were advised not to speak of camps and when we learned to call them world systems, the essence of the discussion did not change. That world in the West was the capitalist world, and this was the socialist world.

At first it was still possible to picture the struggle between socialism and capitalism with the aid of this primitive diagram, especially during the period of "cold war." Later, however, when world integration processes grew so strong that the states of the two systems could no longer expect their economies to develop effectively

without each other, when we realized how much the socialist world could get from the West in the social and cultural sense, and, finally, when many of the restrictions on simple human friendship with "them" were removed, it became absolutely impossible to use the old geographic model separating socialism from capitalism to understand anything at all. When the authors of the well-known statements in KOMMUNIST magazine about the new view of social progress had to answer the question of how the main conflict of the present era should be interpreted today and how it will be resolved, they replied: "We are dealing with a genuinely serious theoretical problem of radical renewal and profound changes in the system of socialism and the system of capitalism during the course of their development of the long range in an atmosphere of competition and interaction."<sup>3</sup> These are fine words, but, unfortunately, the authors did not say anything specific about possible ways of resolving the conflict between capitalism and socialism.

There was a way of achieving a different, genuinely scientific—i.e., conceptual—interpretation of the present era. It, however, was never used, partly because of subjective ideological considerations and partly because of the absence of lively and creative debate. It consisted in the acknowledgement, rather than the declaration, of the general nature of the main conflict of the present era, the acknowledgement that this conflict is present in each social entity, whether it is the world community as a whole, a group of countries, an individual state, a class, a social group, or even the heart and mind of a single individual. In other words, the main conflict of the present era is not a conflict between systems of states, but a conflict between systems of life and principles of life. The establishment of Soviet democracy or any other kind of popular regime does not free the society of the presence and struggle of conflicting principles of life, the struggle between the old and the new, the moral and the immoral, the exploitative and non-exploitative principles of social organization. Today, in the era of glasnost, we can clearly see that these conflicting principles of life are still alive in our country. They are still alive in spite of 70 years of struggle against the market, private ownership, and the exploitation of some people by others. Why should we be talking about the developing countries?

The naturalistic point of view, however, was accustomed to visualizing two halves of the globe when it heard any mention of the two opposing systems and saw no problem here and no possibility of any real solution. On the contrary, to make everything perfectly "clear," it went even further and hypothesized that the red color on the globe owed its existence to the leading role of the superstructure in the revolutionary process. The assumption that the superstructure was the dominant force was completely natural in view of the constantly repeated phrase that the issue of power is the main issue in a revolution. These oversimplified statements were a serious sin against the truth and, to our regret, we committed this sin on the level of party documents. Let

us take just the old edition of the present CPSU Program as an example, especially the section pertaining to communism. It contains many statements about the collective form of ownership, the new forms of distribution, and the abundance of material goods as the most important prerequisite for communism, but the people who compiled the program completely overlooked the qualitative change in the essence of labor as the basis of the communist method of production. The absence of the exploitation of some people by others in the communist society was not associated with this, but with the public form of ownership. It is not surprising, therefore, that we refused to see genuinely exploitative relations in the countries with a socialist orientation, calling them isolated "extra-systemic" manifestations which would last only a short time, only until the state sector could take on the lion's share of national production. It is also no coincidence that when the prerequisites for the non-capitalist pattern of development were discussed, many listed a close relationship with the world socialist system as an essential condition.

Unfortunately, although this idea was certainly important and accurate in itself, it obscured some questions about the internal prerequisites for the construction of the bases of socialism in developing countries. This is why some of the remarks made in the late 1970s by such researchers as K.N. Brutents, N.A. Simoniya, G.I. Mirskiy, and V.L. Sheynis about the primitive understanding of socialist ideals among the peasant masses in the developing countries, the corruption of government officials, the substitution of tribal conflicts for class conflicts, the absence of the good work habits needed for the establishment of the industrial method of production, the chronic unprofitability of most of the state sector, and so forth, were interpreted as frankness bordering on the forbidden. No serious effort was ever made to learn the causes of all this. In the rest of the mountain of literature serving as the general background for Soviet studies of the socialist orientation, even isolated admissions of this kind were rare. It was as though people wrote their monographs and articles for the sole purpose of confirming their unanimity and their loyalty to ideals declared many years before. As for advice on ways of accomplishing socialist reform and eliminating the "extra-systemic" excesses, there was a common belief that the main requirement for the radicalization of the socialist orientation was a new political superstructure, which would be established with the aid of the socialist countries and would then pull the basis up to its own level. This led to the development of a method—which was not completely reliable, to put it mildly, from the scientific standpoint—of studying the problems and prospects of developing states by analyzing the statements and speeches their leaders made at all kinds of official gatherings.

In reality, however, we have never seen the superstructure pull the basis up to its own level. It is not that the idea is false. No, it is true to some extent, because the superstructure always influences the basis. This has been

a common Marxist premise for a long time. The problem is that the kind of pulling we wrote about was unrealistic. If we take a look at works written in the middle of the 1970s, we will see that the most popular phrases at that time included "bypassing," "escaping," or "skipping" capitalism, "speeding up history," "straightening out history," and "omitting" the capitalist stage.<sup>4</sup> Unfortunately, everything was confined to this.

The theory of socialist orientation cannot be aligned with the facts or freed of its thick layers of scholasticism by means of adjustment and "cosmetic" improvement. This will necessitate a resolute break with many earlier assumptions and a reassessment of some fundamental terms of Marxist sociology, especially ones like "private ownership" and "exploitation."

Which approach to the study of the non-capitalist tendency in developing countries might be promising? First of all, we must stop seeing the non-capitalist pattern of development as the "evasion" or "circumvention" of capitalism. It should be interpreted as the renunciation of capitalism, with all of the ensuing consequences. For example, dialectical renunciation is not a single act. It represents a process in which each step has a specific meaning, which can only be understood correctly in the context of the entire journey. For this reason, individual undertakings in the countries with a socialist orientation, such as the attraction of foreign capital, cannot be evaluated from the standpoint of the present moment. It is necessary to see their connection with the past and their significance in the future. Besides this, each new step down the non-capitalist road is not absolutely predicated on the previous step and is not automatically dictated by it. It must be the result of a new exertion of revolutionary will. It is as if the fortress of capitalism has to be taken anew each time.

Someone might wonder why there is a reference to the "fortress of capitalism" in a discussion of the non-capitalist road of development. After all, this is not a socialist revolution. The non-capitalist road, as we have grown accustomed to thinking, does not "come into contact" with capitalism. It "bypasses" it. It might come into conflict with its capitalist surroundings on the outside, but here, inside, it is supposed to be supported by the socialist states.

This line of reasoning is accurate but superficial. The more profound point of view is that the non-capitalist road of development is the renunciation of capitalism outside and inside. It is precisely the renunciation of capitalism as an internal alternative, still present in the body of the society and having a nutritive medium there, that turns our view of the non-capitalist road of development as a superstructural phenomenon into a realization that it is a deeply social phenomenon.

We must not, however, think of the capitalist alternative only as a result of vigorous counterrevolution. I am not saying that the intensification of the non-capitalist pattern requires the intensification of class struggle. This

oversimplification cost people a great deal in the 20th revolutionary century. The important thing is the view of the ideal capabilities of capitalism.

I will explain what I mean. Each society has its own ideal alternatives. Different classes and social groups express different attitudes toward them. The Westerner, for example, is frightened by the very idea of forcible collectivization, although the Western governments have never even hinted at any intention to do this. No one even thinks of discussing it. In our society, on the other hand, this kind of "silent renunciation" (which finds, incidentally, fully articulated political expression) is seen in many cases in attitudes toward the possibility of private ownership in the socialist society. In most cases, we see the same renunciation of ideal capitalist alternatives in developing countries, and not only the ones where the socialist pattern has been chosen officially. Let us take a look, for example, at the issue of unemployment. To a considerable extent, it is engendered in the developing countries not only by the development of contemporary labor-saving production processes, but also by the tendency of traditional communal thinking to come into conflict with the classic burgher belief that each person must earn his own living, regardless of what his neighbors or relatives might do. The traditions of family, tribal, clan, or community mutual aid nurture dependent attitudes in large segments of the population. Is this traditional non-economic thinking and emphasis on non-productive consumption not a form of non-capitalism?

We should clarify another important fact. There are different kinds of non-capitalism. The non-capitalist tendency can be of two types. In one case, the capitalist principles of societal organization can be renounced by a society which is not mature enough to have developed forms of private ownership. From the historical standpoint, this seems to be renunciation "from below." In the other case, it can be renounced by a society which has outgrown capitalism. This is renunciation "from above."

We are dealing here with two diametrically opposed types of renunciation in terms of purpose and in terms of methods. When we were speaking of the non-capitalist road of development, we were speaking of the first type of renunciation. The second type of renunciation is the purpose of communist revolution, the first phase of which is socialist revolution. Furthermore, the first renunciation of capitalism, "from below," so to speak, also can take two forms or two patterns: either the reactionary form, signifying a return to earlier lifestyles and the perpetuation of traditional relations, the traditional community, territorial and social isolation, and so forth, or the progressive form, consisting in a search for new methods of organizing labor and life, with the same advantages as the capitalist methods (integration, higher labor productivity, and cultural development), but free of the negative features of capitalist production, such as the devaluation of live labor, alienation, the de-personalization of the individual, and so forth. No one has ever answered the question of the possibility or impossibility

of this combination of opposites—the simultaneous retention of the positive aspects of traditional forms of communal living and the addition of the positive attributes of industrial civilization. Unfortunately, this question was never even addressed in the past because the subjectivist approach was so strong. Another, absolutely simple recipe was suggested: the almost automatic resolution of all problems and guarantee of prosperity on the condition that the society choose a socialist pattern closely resembling our own.

Today we already know that the question about the combination of opposites cannot be bypassed or skipped, just as capitalism cannot be "bypassed." Reality in the developing countries engenders unfamiliar combinations of the new and the old. The communal lifestyle is preserved. The community moves from a rural location to a city. Traditional relations, with their characteristic hierarchy, are adapted to the neighboring socialist-oriented ideology and some superstructural institutions. All of this is accompanied by the development of a democratic market economy, taking all of the best and most acceptable features from the Western financial system, by the improvement of civic institutions, and by the people's growing awareness of their right to develop and live in an ecologically healthy environment.

Can this large group of conflicting tendencies be defined categorically as a transfer to the Western type of development with its radically changed capitalism? Or are there more elements here of a new and unfamiliar brand of socialism? We will not know the answer until we understand what socialism is under these new conditions and what its fundamental system-forming characteristic is.

Just recently, it seemed to us that even if we still did not know everything about socialism, we did know the main things. Its basic tendencies and features were described in many theoretical works and political documents. Our certainty, however, was then dispelled by the passage of time, especially the last 3 years, which were equivalent to decades in terms of the insight they provided. After the era of stagnation, the first step we took away from idle theorizing, toward the genuinely honest and serious discussion of socialism, was an acknowledgement that we did not know everything about our own society. Stalin's idea that a single party was obligatory in the socialist society was disproved. Now there is no longer any doubt that we cannot bypass the market economy with its characteristic decentralization—or, to put it more precisely, its economic polycentrism—and the supremacy of the individual over the group. People in many socialist countries have already ceased to regard private ownership as a concession to the past, not to mention its restoration, and view it as a fundamental necessity and an important element of the multistructured socialist economy. The idea that the prevailing form of ownership in the socialist society is state ownership and that cooperative ownership will gradually converge and merge with state ownership seemed to be a

fundamental thesis just recently, but now it looks far from sound. For this reason, if we do not even know the root of socialism, we cannot compose a convincing theory of socialist orientation. Without this knowledge, we cannot even name the countries where it exists and where it is strongest.

Besides this, academics should pay attention to a point of view that appeared spontaneously among the national intelligentsia in the developing countries, the view that it is time to stop the automatic repetition of the Soviet practices of the period of stagnation and begin building a society in which the laboring man will have a sense of social comfort and security, and only then try to find a name for this society in which the fundamental principle (which we can call socialism if we wish) has been known to everyone for a long time and is as old as the world itself. This is the principle of social justice, or, as the ancients said, "impartially rendering each individual his due." We find the same idea in V.I. Lenin's works: "...the 'non-freedom' for the exploiter to continue his oppression and exploitation...."<sup>5</sup>

Today we must decide how this "non-freedom" is to be achieved: through the development of economic and civil liberties or through extra-economic socialization and forcible de-personalization? The future progression of the socialist tendency in the developing world will probably occur between these two extremes with a gradual movement toward healthy economic and humane forms of rendering each individual his due.

It is possible that we will see unfamiliar forms of socialist progression in the future: a fourth road, a fifth road, and so forth. This should not shock us, and I hope it will not. In the final analysis, the increasing inclusion of our own society in world economic ties will make our social thinking more tolerant, more reasonable, and more politically astute. We will learn to recognize socialism not by its outer garb of bombastic phrases about anti-imperialism and anti-capitalism, but by real accomplishments in the movement for a new international economic order, the resolution of global problems, and the struggle for a non-violent world, disarmament, and progress in human development.

As for the once widespread debates over whether the terms "non-capitalist pattern of development" and "socialist orientation" were identical or whether the socialist orientation took in a much broader group of phenomena, we should ask ourselves whether our country has also entered a unique phase of socialist orientation. I think it has.

#### Footnotes

1. A. Kiva, "Socialist Orientation: Theoretical Potential of the Idea and the Facts" (*MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA*, No 11, 1988, pp 62-72).

2. K. Marx and F. Engels, "Works," vol 46, pt I, p 103.

3. *KOMMUNIST*, No 7, 1988, p 86.

4. N.A. Simoniya, "Strany Vostoka: puti razvitiya" [Eastern Countries: Patterns of Development], Moscow, 1975, p 276; R.A. Ulyanovskiy, "Sovremennyye problemy Azii i Afriki. Politika. Ekonomika" [Current Events in Asia and Africa. Politics. Economics], Moscow, 1978, p 120; I.L. Andreyev, "Nekapitalisticheskiy put razvitiya" [Non-Capitalist Pattern of Development], Moscow, 1974, p 10.

5. V.I. Lenin, "Poln. sobr. soch." [Complete Collected Works], vol 41, p 190.

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#### OPINIONS OF POLITICAL SCIENTISTS

##### Artificial Intelligence and Conventional Arms Reduction

904M0009H Moscow *MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA* in Russian No 2, Feb 90 (signed to press 16 Jan 90) pp 103-109

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[Text] The progress in the information sciences and computer technology is having a significant effect on the military sphere as a whole, including the disarmament process. The scientists and specialists analyzing this topic usually focus their attention on changes in the tactical and technical parameters and economic characteristics of existing and potential systems. During this process, as we have already pointed out,<sup>1</sup> they overlook one of the central questions connected with the new technology: It does not simply represent additional technical potential for the attainment of earlier goals; it engenders a completely world, built in accordance with previously unknown principles.

The recognition of the nature of this "new world," as the major technical breakthroughs of the 20th century demonstrate, is an extremely slow process. The conceptual definition of ongoing changes is generally delayed for some time. New problems arising in connection with radical changes in the world arena are either ignored or continue to be discussed in traditional terms, with the use of the familiar set of methods employed for years in the resolution of similar problems.

This seems to be the present situation in the sphere of conventional arms. In recent years military-industrial groups in several industrially developed countries have designed new types of weapons of equal historical significance, in our opinion, as the nuclear bomb. These are

the self-contained weapons systems designed for combat missions with minimal participation (or none at all) by the human being. It is precisely in this area that many experts anticipate a major scientific and technical breakthrough in the next few years.

These self-contained systems are primarily of the non-nuclear type. This is a result of the "stalemate" in the nuclear arms race, in which the continued buildup of nuclear arms will not produce any special advantage, and qualitative improvement is possible only on a limited scale. Automation brings about two types of changes. First of all, there are the radical changes in the weapons themselves, which can be called revolutionary without any fear of exaggeration. Second, there are changes in the role and place of weapons in human civilization because this self-containment presupposes systems with their own peculiar type of "behavior." We will take a more detailed look at these aspects.

### Revolution in Conventional Arms

The incorporation of elements of artificial intelligence in weapons systems leads to qualitative changes in the weapons themselves and in the methods of their use. The military conflicts of recent years have demonstrated that many expensive types of military equipment which were once thought to be the most effective systems are too vulnerable to the relatively cheap and easily transportable weapons of the new generation. A modern tank costing around a million dollars, for example, can be destroyed with 95-percent accuracy by a relatively cheap antitank missile; after firing a few rounds, cannon artillery becomes a good target for portable infrared guided missiles; attack aircraft and combat helicopters are easily destroyed by portable antiaircraft missiles, etc. Because of this, many combat tactics which are based on the use of traditional types of military equipment and which were employed successfully in the recent past, now seem senseless (for example, tank or air cover for advancing ground troops, artillery preparation fire, etc.).

In essence, we are witnessing the birth of a new situation in which many traditional offensive types of weapons are becoming ineffective against troops equipped with weapons of the new generation. A similar situation arose in the history of the development of weaponry when firearms came into being, making many types of edged weapons almost useless and completely changing the principles of defense fortification construction. The result was a revolutionary change in the organization of armed forces and in the strategy and tactics of warfare. The structure and functions of whole categories of forces changed. The cavalry of mounted knights in armor, for example, became an easy target for firearms and was replaced by the lightly armed but highly maneuverable cavalry.

In our opinion, the present situation could be just as revolutionary. An analysis of the military conflicts of recent years (the Arab-Israeli War of 1973, the Israeli invasion of Lebanon in 1982, and the Falkland conflict)

attests not only to the complete superiority of the new types of weapons, but also to radical changes in combat methods. In the Falkland (Malvinas) Islands, for example, the British troops equipped with weapons of the new generation conducted a successful assault with forces numbering only a fraction of the defending troops, armed mainly with traditional weapons.

The changes in the appearance of the armed forces cannot be instantaneous, and all of the possibilities of the "intellectualization" of weapons will not be revealed at once. The first to be intellectualized will be the guidance systems, leading to a dramatic advance in target kill effectiveness. This is the first generation of "smart" weapons, but further means of intellectualization are already apparent, including the automation of data collection, situation analysis, and decisionmaking. The Phalanx system being developed in NATO, for example, can identify potential targets and decide the sequence of their destruction. Another method will entail the use of expert systems to enhance the individual's ability to make quick decisions. The highest level of intellectualization will be represented by the integrated battle management systems, which will gather operational-tactical and strategic information, analyze it, and make decisions on the command and control of troops.

The enhancement of the effectiveness of weapons as a result of their intellectualization lies at the basis of many of the current changes. The traditional methods of enhancing the effectiveness of offensive arms were based on the theory of probability: A high rate of fire created the necessary shell density and kept the target from escaping the field of fire; increasing the explosive force of a weapon created the necessary coverage area with few targeting errors, etc. These were replaced by the intellectualizing methods, which permit the control of the weapon throughout the entire cycle of its use, and not only up to the moment of fire (or launch). This produces almost 100-percent kill probability and frequently makes excessive projectile speed and weight unnecessary. The control factor becomes the limiting factor, whereas increasing the speed and weight leads to reduced control, heightened inertia, and, consequently, lower effectiveness.

Now the emphasis in combat between offensive and defensive weapons is shifting in favor of the control factor. The more controllable and maneuverable weapon system will win this battle. A tank, for example, is inferior to a missile in all respects. It moves slowly and has virtually no capacity for the flanking movements that are so important in the evasion of flying missiles. The colossal weight of a tank reduces its maneuverability and requires a powerful engine, which presents the ideal target for infrared homing missiles. In this way, armor plate ceases to represent effective defense and turns into a factor diminishing the effectiveness of the tank as a weapon system in a battle with weapons of the new generation. In this sense, the ideal design is a flying disc on an air cushion which can move easily in all directions and is armed with missiles of various types.

This example demonstrates that the very first phase of intellectualization should already lead to the radical transformation of weapons systems and the methods of their use. The next phase, in which automation encompasses the decisionmaking processes involved in the use of weapons, could bring about radical changes in the organizational principles of armed forces. It will robotize the battlefield and lower the numerical requirements of armed forces dramatically while setting much higher requirements on the quality of soldier and officer training. The operators of the weapons systems of the new generation will require psychological and physiological training comparable to that of test pilots. They will have to be able to analyze a situation quickly and accurately, make instantaneous decisions, and endure considerable stress during the complicated maneuvers connected with defense and the evasion of a missile attack. During this phase there will probably be changes in the structure and functions of different branches of the armed forces. There might be radical changes, for example, in the design of armored carriers and tanks and in the functions of armored forces in general.

Even in the first phase of intellectualization, the central command and control facilities (or headquarters) will become easy targets for homing missiles because of their high radiation in the distant ranges of the electromagnetic spectrum, or for missiles equipped with guidance systems with target identification elements. There will be an urgent need for the dispersion of command and control systems.

The logical result should be changes in the methods of armed combat. We can assume that forms of forcible confrontation and pressure will be discarded in favor of flexible and maneuverable forms and a return to the ideas of the "blitzkrieg." In any case, there will certainly be an emphasis on organization and controllability and on the high intellectual potential and proficiency of personnel. Today these qualities are associated only with the personnel of the armed forces, but in the new situation much of the "intellectual support" will be "isolated" in control systems and in the weapons themselves.

In the intellectual arms race, competition might not take the form of the quantitative accumulation of arsenals, but of the augmentation of the possible varieties of programmed behavior in weapons systems. Within the framework of today's existing systems and programming methods, this would dictate the need for the advance analysis of as many variations as possible of the situations in which the self-contained system might be involved. Just as in a chess game, the machine would find the preplanned variations instantaneously but would take a long time to calculate unfamiliar situations, so that the probability of error would rise dramatically. Competition would take the form of the accumulation of intellectual potential "isolated" in a programmed product.

Therefore, the incorporation of the information sciences in the military sphere would not simply change the specifications and performance characteristics of weapons, but would create a new military-political situation differing radically from the one which existed when the intellectualization of weapons had just begun. For this reason, attempts to solve problems in conventional arms reduction with the traditional method of establishing parity in existing types of weapons cannot provide any reliable guarantees. The factor of the new weapons will distort the picture too much and introduce considerable uncertainty.

#### Valueware of Self-Contained Systems

The contemporary achievements of scientific and technical progress have made it possible to design technical systems operating outside the direct control of the human being—the so-called autonomous or self-contained systems. In the beginning, these were relatively simple devices like thermoregulators, and the functions they performed were also simple. In recent years, however, the rapid development of the information sciences and computer technology has led to the invention of more and more active systems, performing functions which are beginning to approach the functions usually performed by the human being. These systems are radically transforming the fields of human activity in which they are used. In the 1980s this was most apparent in the processes accompanying the robotization of the production sphere. As the functions of the self-contained systems become more complex and approach the level of human behavior, and as they are integrated into social processes, there is a need to coordinate the criteria for the evaluation of these systems with the criteria of their functioning, the criteria used in society to evaluate human performance. This need is dictated by the use of modern complex systems in situations in which they interact with the human "on an equal basis." The society frequently has to judge the results of the combined actions of the human and robot instead of judging their actions separately. This goes against our traditional beliefs about the tools of labor and their place in the production process.

This contradiction is particularly pronounced in the case of self-contained weapons systems. The best-known weapon of this kind today is the cruise missile, which begins detecting a target while it is in flight and then destroys it autonomously. Many other types of self-contained weapons have been developed and have been tested by the armies of different countries in recent years. The functions performed by these systems are still fairly simple, but these are only the first steps, and continued progress in the information sciences will lead unavoidably to quite complex systems of this kind.

We will attempt an analysis of several new scientific and social problems arising in connection with the appearance of self-contained military systems.

In discussions of the problems of using these systems, most authors focus attention primarily on the reliability of the hardware and software.<sup>2</sup> These are technical problems, however, and they will be solved sooner or later. The main thing would seem to be something else, namely the targets and missions set for the robot killers, the people responsible for setting them, the criteria used in the choice of targets and missions and of the specific types of robot behavior in changing situations, and the changes in these criteria.

There are two interrelated aspects of the process of the converging evaluations of self-contained technical systems and social systems.

First of all, people mistakenly ascribe human personality traits to technical systems and evaluate the systems with the criteria commonly used in judgments of human behavior. This phenomenon was described by American psychologist S. Terkel in the well-known book "The Second I." As long as the practice is confined to toys, workbench tools, and so forth, it is not particularly alarming and can be regarded as a scientific phenomenon requiring analysis.

The situation changes dramatically when we begin ascribing human traits and judgments to the self-contained weapon. One of the main arguments in favor of the computerization of weapons, for example, is the belief that computerized systems are better, quicker, and more accurate at doing certain things than the human. The concepts of "good" and "bad," however, are moral criteria and are nothing more than value judgments. Their use to substantiate the mass incorporation of computers in self-contained weapons systems indicates the extension of evaluative criteria and standards of a social nature to these weapons systems, and any departure from this kind of evaluation is then impossible.

Furthermore, the use of judgments of this kind has a reciprocal effect, and many military experts are beginning to replace the human and political criteria for the evaluation of military events with strictly technical criteria. The effectiveness of the weapons systems and of combat operations as a whole is usually used as the central criterion. The use of the traditional criteria of victory, connected with stifling the enemy's will to resist, in the broad political context is being replaced with the use of the criteria of proportional expenditures of resources (ammunition) to achieve a single goal (to destroy a unit of military equipment or a unit of military force), with the reduction (of expenditures) serving as the main justification for the use of the self-contained systems.

Another popular argument in favor of self-contained weapons is the assertion that the speed and complexity of combat operations are so much greater today that the human being is incapable of controlling the situation. An analysis of this assertion points up two important facts.

First of all, it is based on the completely definite models of decisionmaking founded on the well-known ideas of

systems analysis, in accordance with which any decision is a rational choice of one of several alternatives in line with an assigned list of evaluative criteria. The questions of the generation of alternatives and the hierarchy of evaluative criteria are virtually ignored. Time is not present as a variable in this model and is used only as one of the criteria. In other words, decisionmaking in traditional systems analysis does not depend on time. This alone proves that this procedure cannot be used for the complete analysis of decisionmaking in dynamic situations. There are also other fundamental objections. For example, the set of analyzed alternatives is not determined by the systems model of decisionmaking but is assigned by circumstances external to the given situation. The generation of alternatives is carried out by experts on the basis of their knowledge and their analysis of incoming information. Therefore, systems analysis represents the rational choice of one of several subjectively determined possible courses of action. The same applies to the evaluative criteria of the alternatives, which are set by experts and, consequently, are not only socially determined but are also poorly reflected.

In the second place, the complexity of the combat situation cannot be examined within the confines of a single scale of measurement. It consists of qualitatively different levels connected with purely technical, socio-technical, and social interaction. Consequently, the procedures of systems analysis, using only quantitative parameters and criteria, can only be fully suitable on the level of technical interaction.

On the remaining levels, the methods of evaluating the situation and making decisions must include the consideration of social parameters and processes. The society uses moral and ethical standards for judgments of this kind. Today these moral and ethical standards are regarded only as regrettable limitations on the development of various technical systems, and the problems of the social responsibility of the scientist and engineer are given an extremely skewed interpretation as the responsibility of the scientist for the results of his activity posing a potential threat to humanity.

There is another aspect of this acute problem of technical development, however: the inclusion of moral and ethical criteria in the systems themselves, in their design. Only the development of research into artificial intelligence created the real prerequisites for this. Even in this area, however, the problem is still far from obvious! We can draw a certain analogy between the processes of the analysis of knowledge in artificial intelligence systems included in social activity and the processes of coordinating human decisions with moral and ethical standards. Evaluative structures make up something like a program defining the behavior of the individual in a certain set of circumstances. It is here that the most serious scientific problems arise. There is still no clear idea of how the system of human values can be formulated.

Several experiments undertaken within the framework of formal logic<sup>3</sup> have produced only the most meager results. Building a logical series of values turned out to be an exceptionally difficult task because evaluations are closely related to the structure of the evaluated situation, whereas formal logic is distinguished by the use of extremely abstract and linear structures with a specific content. The frame approach seems to be much more promising in the modeling of value systems.<sup>4</sup> It is based on the linguistic interpretation of a word, represented in the form of a frame, with the slots to be filled in line with the features of the specific situation. This means that situations can be classified according to their most significant elements and that certain categories of situations can be identified as having the same evaluative basis. It must be said, however, that this approach necessitates a great deal of linguistic work.

The most serious problem is the definition of the hierarchy of values and the dependence of this hierarchy on the context. It is here that the most disastrous errors are possible. Even the human being makes grave errors not because of the lack of a evaluative standard or because of its misinterpretation, but because of errors in constructing the hierarchy of these standards. Situations with conflicting evaluations are common. Something that is extremely desirable according to one evaluation might be undesirable according to another. This conflict has to be resolved with the aid of the hierarchical relationship between values. Even the hierarchy can change, however, depending on the situation. The precise description of the dependence of the hierarchy of values on the situation is an exceptionally difficult task for the logic of natural lines of reasoning. We can see that the theory of artificial intelligence has not been developed sufficiently for the technical resolution of these problems. It will probably take more than one year to work through these problems and to reach the stage of programming.

At this time one of the greatest problems in world development is the compatibility of sociotechnical systems. Paradoxically, in light of the talks on arms reduction and disarmament, this problem also pertains to military support systems in connection with the need to maintain strategic stability.

The treaties concluded at different times on the non-proliferation of nuclear weapons, on the prohibition of the use of bacteriological weapons and certain types of projectiles and bombs, and others present a good example of this. Taken together, these documents make up a evaluative structure and serve as the basis for judgments of the "good" or "bad" and "just" or "unjust" type in the case of extremely complex technical structures and systems.

It is significant that decisions made in this area can be evaluated only with the aid of specific criteria like stability, equal security, and so forth. In this area, as the latest research indicates, it would be dangerous to use criteria based on simple numerical assessments, and the

idea of using the onesided criteria of optimization is dubious at best. We can say with sufficient certainty that the criteria to be used on this level must represent a coordinated set of evaluative, political, and moral and ethical criteria.

When a human being first encounters an unfamiliar situation, he tries to understand it, and it is only on the basis of this understanding that he begins to plan his behavior and make decisions. This is how human behavior differs from the behavior of machines, at least in the current phase of machine development. Understanding does not depend on the amount of information derived from the person's surroundings, but on completely different factors: experience, intuition, ethical and moral standards, personal values, etc.

Therefore, this means that the self-contained systems imitating the behavior of human beings in military situations must be included in the system of international standards and values recorded in agreements pertaining to warfare. What does this mean in reference to a robot? It appears that this question must be clarified through the concerted efforts of the international scientific community. International legal regulation will be needed in this sphere.

Many questions connected with possible unauthorized actions by self-contained systems require consideration. The situation is complicated by the fact that we are only in the initial stage of the revolutionary transformations in weapons and in warfare as a whole in connection with the self-contained systems.

In view of the fact that valueware will be an important element of the self-contained systems, we must first understand what this means and then insert the kind of valueware in the self-contained systems that will agree with the evaluative structures recorded in existing treaties.

We must always remember that sociotechnical structures are extremely inert. If we cannot understand the nature of valueware (and this will require intensive research) during the present stage in the development of self-contained weapons, and if we do not take measures to plan some of the general conditions of its development, valueware could be created haphazardly, and then it would be much more difficult to coordinate it with existing evaluative structures. This haphazard creation of valueware at a time when we do not completely understand the operational principles of evaluative structures will lead unavoidably to conflicts (on the level of the evaluative imperatives directing the self-contained systems) which could cause serious difficulties in world affairs.

Today the issue of the valueware of self-contained systems is clearly not being given enough attention. The first published works on this issue are not even analyses, but only acknowledgements that a problem exists. There is still the widespread belief that the self-contained robots will do the "dirty" work while skilled personnel

will be responsible for the "clean" part of the armed conflict. According to the supporters of this point of view, this should "relieve" soldiers of the need to participate directly in dangerous operations.

This point of view does not stand up to thorough analysis. In essence, there are two possible ways of using the self-contained systems: a) robot taking action against robot; b) robot hunting humans. Actions of the first type will not solve the main problem in an armed conflict: They will not subdue or vanquish the enemy. The experience accumulated in warfare in the 20th century has shown that battles between machines do not decide the outcome of the conflict. Armed actions of the second type will unavoidably include people, and the thesis then loses its strength. Furthermore, the use of robots to kill people in military operations will complicate the problem of valueware even more. These robots will have to be programmed for selective killing in line with certain criteria. The very attempt to define these criteria seems immoral. Can we set the value of the robot's existence above the value of a human life?

At the very dawn of robotization, American science-fiction writer Isaac Asimov formulated his famous "three laws of robotics":

1. A robot will not injure a human being or allow such injury to be inflicted through inaction.
2. A robot must carry out the orders of a human unless they contradict the first law.
3. A robot must protect property unless this contradicts the first and second laws.<sup>5</sup>

Without going into the vague implications of these laws, which the author himself pointed out (for example, should the robot prevent surgery because it will injure the patient's organism?), we should note that the wording of these laws establishes a definite relationship between the value of the human and the value of the robot. They actually put the robot in the position of an ideal slave who must give up his own life to serve the interests of his master. Asimov's laws establish a definite hierarchy based on the values of human society, in which human life is the highest value. There is no room in this system for machines with the right to murder at will.

The self-contained systems represent a genuine revolution in military technology. This is the first category of machines with delegated responsibility for the deliberate murder of people without being controlled by other people. These would be the robot killers so prevalent in "horror fiction." The reality, however, would be more horrible than the most sinister literary plot. As a rule, robots in science fiction novels become killers because of malfunctions. In real life, on the other hand, man would deliberately plan the design of machines for the sole purpose of murder, for the sole purpose of hunting for people, tracking them down, and killing them.

This is why the issue of the potential danger of self-contained weapons systems and the related moral and ethical problems deserve as much consideration today as the issue of nuclear disarmament.

#### New Problems

The combination of these factors (radical changes in weapons systems and the appearance of the new category of "self-contained" weapons) will require a fundamentally new approach to the issue of disarmament. Today the world of the "intelligent weapon" has not been studied sufficiently and is not completely understood, and there is no real experience in its use on a broad scale. The prevention of this use, however, will be a central objective of the movement for disarmament. This contradiction can be neutralized by including the methods of historical and structural-functional analysis in the investigation of the new situation.

The main distinction of the "intellectual" weapons is this intelligence, which will magnify the ability of warring armies to concentrate their forces in certain maneuvers or to use them selectively and with the highest precision. This ability will be secured by the intellectualization of all levels of armed forces command and control, from self-contained systems to decisionmaking systems on all levels.

As the previous discussion proved, an increase in intelligence (or controllability) allows relatively small forces to achieve their goals. Under these conditions, the simple lowering of the level of conventional arms without consideration for the intelligence factor could have unpredictable consequences.

The situation is complicated by the fact that the level of "intelligence" in weapons systems is virtually impossible to verify by external characteristics. The arms race is moving into the sphere of software: The richer the variety of possible forms of behavior by self-contained systems or of previously mapped-out alternative decisions (or of planned moves), the more effectively the side can use its resources.

To a certain extent, an army equipped with intelligent weapons is similar to a karate fighter, who can perform miracles with the minimum of weaponry because of his superior discipline! This metaphor raises the important question of methods of disarming the karate warrior: Can an unarmed man be disarmed? How can the tremendous destructive potential of karate be put under social control?

The method of control worked out in the past consisted in instilling a special moral and ethical code in the mind of the karate fighter which would not allow him to use his "lethal arts" against the weak and permitted him to use them only in the name of virtue, justice, etc. Anyone who violated the code was driven out of the community and was punished severely. The higher the rank of the karate master, the more highly developed his mechanisms of moral and ethical control.

The conclusion which can be drawn from this analogy between the intelligent weapon and karate primarily points up the need to elaborate a moral and ethical code of behavior for countries with intelligent weapons. Furthermore, the development of moral and ethical forms of control must begin in the very earliest stages of the design of the new weapons systems. Self-contained systems must observe the standards common to the world community in their behavior, and these standards must be built into their software. Besides this, this should be done by creating a mechanism for the mutual coordination and adjustment of the structural principles of programs in the intelligent weapons systems. This mechanism should be established as quickly as possible: The longer the isolated development of "smart" self-contained systems continues, the more pronounced the contradiction between the evaluative structures lying at the basis of intelligent systems will be. The reinforcement of strategic stability in the sphere of conventional arms under the new conditions cannot be expected unless these matters become the subject of serious negotiation by interested parties.

#### Footnotes

1. G. Kochetkov and V. Sergeyev, "Artificial Intelligence and the Problems of Strategic Stability," MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA, No 9, 1987, pp 70-74.

2. This was the kind of argument used to substantiate the American Strategic Computer Initiative program ("Strategic Computing: New Generation Computing Technology. A Strategic Plan for Its Development and Application to Critical Problems of Defense," Washington, 1983).

3. A.Ya. Ivan, "Logika otsenok" [Valuative Logic], Moscow, 1973.

4. A.N. Baranov and V.M. Sergeyev, "The Structure of Logical Debate. Papers of a Seminar on Logic, Linguistics, and Semiotics," Moscow, 1985.

5. A. Asimov, "The Perfect Machine. The Human Abilities of Machines," Moscow, 1971, pp 190-191.

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## ANSWERS TO READERS' QUESTIONS

### Soviet-American Economic Relations

904M0009I Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 2, Feb 90 (signed to press 16 Jan 90) pp 131-135

[Article by Yelena Vladimirovna Ustinova, junior scientific associate at Institute of U.S. and Canadian Studies, USSR Academy of Sciences; passages in italics as published]

[Text] Many of our readers want to know the present status and future prospects of Soviet-American trade and economic relations.

The shift in Soviet-American relations led to progress in trade and provided the momentum for the development of new forms of economic, scientific, and technical relations. Businessmen in the United States are more interested in contact with the Soviet Union because they anticipate more favorable conditions for trade and industrial cooperation and new opportunities for cooperation as a result of the domestic economic reform in the USSR and the improvement of the system and methods of foreign economic operations. "After staying away for more than a decade, Western businessmen are coming back to Moscow to negotiate joint ventures, credits, and expanded exports of consumer goods and foodstuffs," the INTERNATIONAL HERALD TRIBUNE remarked. "Who are they? Moths flying into the flame? Or shrewd entrepreneurs who have rushed here to make money while others hesitate?"<sup>1</sup>

The cooperation is being organized in different spheres, from the exchange of art exhibits and trips by private citizens to joint projects in oncology and the conversion of military production. In June 1988 the heads of the two governments signed agreements on civil aviation, housing construction, power engineering, and transportation. They also signed a fishing treaty.

The new Soviet-American 5-year agreement on scientific cooperation of January 1988 stimulated broader bilateral scientific and technical contacts in seed selection, genetic engineering, data processing, and studies of the ocean floor and outer space. Joint projects will be conducted to study the climate of the planet.

Favorable prerequisites for cooperation in education and culture also exist. Soviet and American film industry representatives reached an agreement on the broader exchange of motion pictures.

Satellite computerized communications marked the beginning of a new phase of communication between the two countries. In January 1989 a group of businessmen from San Francisco formed a joint venture with Soviet enterprises. In addition to scientific organizations, businessmen and even the owners of personal computers will be able to use this channel for the exchange of information.

Trade relations: Trade is the main element of Soviet-American economic relations, although the American side has recently shown an interest in other forms of economic contact as well. Soviet-American trade volume figures are low. The United States' share of Soviet foreign trade does not exceed 1 percent, and our country accounts for less than 0.5 percent of American foreign trade. The volume of trade between the two countries decreased from 4.477 billion dollars to 1.9 billion between 1979 and 1987. In 1988 the figure was 2.5 billion dollars. This trade is marked by an underdeveloped structure and an imbalance in the United States'

favor: In 1987 the USSR imported goods worth 1.5 billion dollars from the United States and exported goods worth only 469 million (this was partly due to the effects of the Jackson-Vanik amendment).

The dynamics of this trade depend to a considerable extent on the level of Soviet imports of American agricultural goods. According to the data of the U.S. Department of Agriculture, the United States exported 91 million tons of grain in 1987, with the Soviet Union buying 13 percent of the total.<sup>2</sup>

According to the 5-year agreement on agricultural trade, the USSR was supposed to buy 9 million metric tons of American wheat, corn, and soybeans each year. It expired on 30 September 1988, and in the end of November 1988 the USSR and the United States agreed to renew it for 27 months. Minimum annual purchases of grain and oil-bearing crops were set at 9 million tons—at least 4 million each of corn and wheat and a million tons of the Soviet Union's choice of any other crop. By the terms of this agreement, the USSR can also buy another 3 million tons of wheat or corn each year without any additional negotiations, but purchases of more than 12 million tons will have to be authorized by the U.S. Department of Agriculture.<sup>3</sup>

Machines and equipment make up the second-largest group of American exports to the Soviet Union. Proportional exports of these declined sharply in the middle of the 1970s as a result of stricter export controls and the denial of Soviet importers' requests for government credit and the guarantees commonly offered in the trade in machines and technical equipment. Besides this, the reduction of the technology gap between the United States and the rest of the industrially developed capitalist countries enhanced the appeal of other Western markets.

Livelier trade in equipment of average technological complexity can be anticipated. Expanded sales of the categories included in the American administration's officially announced relaxation of export restrictions are possible. These include equipment for light industry and the lumber and pulp and paper industries, agriculture and construction, the processing of food products and the production of medicines, the chemical industry, and oil and gas exploratory drilling and production. Cooperation in the high-technology fields responsible for scientific and technical progress is more problematic.

Because of the absence of most-favored-nation status, customs tariffs on many potential Soviet exports to the United States are from two to five times as high as on goods from other countries. The difference in tariffs is particularly noticeable in specific groups of finished products because U.S. import duties rise with the level of processing. As a result, most of the Soviet goods sent to the American market are raw materials. In 1987, 67 percent of all Soviet exports to the United States consisted of ammonia, light petroleum fractions, radium,

palladium, aluminum chip and scrap, sable pelts, crude oil, uranium components, and heavy-weight fuel oil.<sup>4</sup>

The American Department of Commerce also discriminates against imports of Soviet carbamide, crab, precious stones, and some products of the woodworking industry. The longstanding ban on deliveries of Soviet nickel has been lifted, and the 1951 embargo on imports of seven different Soviet furs (muskrat, marten, weasel, fox, mink, Siberian ferret, and ermine) will be lifted.

The Soviet Union ships cotton fabric to the United States in line with an intergovernmental agreement. Under pressure from domestic textile producers, however, the U.S. administration had to set a limit on these imports.

Soviet automobile manufacturers plan to begin exporting Moskvich-2141 automobiles, with engines produced with the help of the West German Volkswagen company, to the United States in 1991. The duty on Soviet automobiles will be 10 percent, however, while it is only 2 percent for Toyotas and Volkswagens.

The trade status of the Soviet Union is not the only thing impeding the expansion of Soviet exports to the United States. The American market is extremely exacting. Partners point out the insufficient competitiveness of Soviet products, including machines and equipment, the underdevelopment of after-market services, the failure of Soviet suppliers to pay close attention to the distinctive features of the U.S. market and the requests of American customers, the incompetence of officials in charge of foreign trade, and the procrastination and delays in the negotiation and conclusion of contracts. Without solving all of these problems, we cannot expect to succeed in the American marketplace.

**Joint ventures:** Many American experts and members of the business community see joint ventures in the USSR as a "unique breakthrough." They feel they are witnessing a "fundamental departure from earlier Soviet practices" because the Soviet Union is striving to intensify its marketing operations to "make socialism work better." They see this as a favorable opportunity for American business.<sup>5</sup>

American businessmen view the food industry as the most promising sphere of investment, but Soviet-American enterprises are also being established in heavy industry. Some examples are the joint ventures with Combustion Engineering (the design and production of automated control systems for the modernization of petroleum and petrochemical plants), Management Partnerships (computer software engineering and personal computer assembly), Honeywell (computerized control systems for fertilizer factories), and Occidental Petroleum (the construction of a chemical complex on the Caspian coast in a consortium with Japanese and Italian firms). Some projects are geared to the consumer market. Public catering enterprises have been established or will be established with Pepsico Inc., McDonald's Restaurants, and Astro Pizza, and joint companies engaged in

hotel renovation and the performance of maintenance, mediating, consulting, and other services have been registered.

American commercial initiative is being inhibited by national security considerations and the fear of "getting tied up" by government restrictions on advanced technology exports. The lengthy and complex procedure for the issuance of export licenses is another sizable obstacle. Participation in joint ventures in the USSR is also impeded by restrictions on bank credit and government guarantees.

Besides this, there is a fairly common assumption in the United States that joint ventures do not have Washington's official approval.

The goals and interests of U.S. businessmen do not always coincide with the wishes of the Soviet side. Soviet enterprises want to buy technology and equipment, while American businessmen are interested primarily in the market for finished goods.

In the opinion of American businessmen, several matters—profit margins, expenditures, the distribution of production responsibilities and obligations, the conditions of the repatriation of capital, and others—are not covered adequately in Soviet laws. The wording of the legislation is too ambiguous. There are also problems with taxes, bookkeeping practices, the difficulty of obtaining statistics and other information, differences in industrial standards, the absence of the necessary components in the USSR, the regulations governing travel in the country, and the fact that Western companies sometimes have to agree to terms reducing their profits.

There are also problems with production control procedures, which the American side feels are too liberal. Many representatives of companies in the United States and other countries complain that the establishment of regular business contacts with the USSR is frequently hampered by bureaucratic red tape and formalities on the Soviet side and by difficulties in contacting partners and the ministries overseeing joint ventures. They have said that the strict rules pertaining to currency and the strong bureaucracy have made the Soviet market one of the most difficult for Western companies to conquer. Brookings Institution economist Ed Hewett, an expert on the Soviet economy, feels that the "joint ventures have additional problems because of their position in the vortex of efforts to reorganize the system for the management of foreign economic contacts in the Soviet Union, making the decision to undertake them an even more complicated process."<sup>6</sup>

The non-convertibility of the ruble and the restrictions on the repatriation of profits arouse anxiety. According to Soviet law, all of the profit transferred abroad and payments of other sums to foreign specialists in hard currency are limited to the amount of the export revenues of the joint venture and therefore have to be secured by sales on the foreign market.

At this time a joint venture in the USSR has three basic ways of earning hard currency: by producing goods intended for sale on the world market or for use by the Western partner; by collecting the profit in hard currency in the USSR (for example, if the joint venture is formed to remodel hotels or serve foreign tourists or if it is established in the printing industry); by selling the products of the joint venture on the Soviet market and the markets of third countries (personal computers, for example, will be produced jointly with the American Management Partnerships International Corporation for sale in the USSR, but the software will be exported abroad; some of the control systems for petroleum and petrochemical refining of the Combustion Engineering company will be sold on the world market).

Because of the West's cautious reaction to the possibility of forming joint ventures, the USSR revised the original provisions of its legislation to make it more flexible and realistic.<sup>7</sup> The laws will continue to be revised.

The main changes include the commencement of the 2-year tax exemption at the time the joint venture declares a profit instead of at the time of its formation; the simplification of the procedure for the formation of a joint venture; the establishment of the Western partner's degree of participation by agreement between the parties to the venture instead of its limitation to 49 percent; the authorization of foreign citizens to occupy key executive positions; the stipulation that foreign personnel will pay for housing and other services in rubles in most cases; the exercise of greater freedom by joint companies in the hiring and firing of Soviet personnel and in setting their wages; the offer of special tax privileges to ventures in the Far East. The recent liberalization of Soviet laws on joint ventures was seen in the West as a "step in the right direction" and "another incentive to do business with the USSR."

Credit cooperation: Commercial banks in some European states and Japan have reported their intention to extend loans, amounting to more than 9 billion dollars and not confined to special-purpose or tied loans, to the USSR Foreign Economic Bank, including 1.67 billion dollars from West Germany, 775 million from Italy, 2.6 billion from Great Britain, and 2 billion each from France and Japan. Austria, Switzerland, and the Middle Eastern countries are expected to extend another million dollars in loans in connection with bilateral "capital-transfer" agreements. In addition, the USSR has been trading on international securities markets. On two occasions in 1988, it sold stock in Western Europe for a total of 350 million dollars.

According to Western economists, there is a relative shortage of effective demand in the international market for bank financing, and banks are looking for reliable borrowers. "Moscow's decision to apply for credit in several countries simultaneously introduced the element of inter-bank competition and helped the Soviets get the loans on better terms." The credit was also extended because Western companies and governments are also

interested in gaining better conditions of access to the Soviet market and in having a chance to "benefit from Gorbachev's economic perestroyka."<sup>8</sup> Besides this, the USSR has an excellent credit rating.

American financial institutions account for only 2 percent of all the Western credit extended to the Soviet Union. This is clearly due to the absence of government support. Judging by reports in the press, however, American commercial banks are taking a greater interest in the Eastern bloc as companies show more willingness to trade with the USSR.

Many American experts do not question the Soviet economy's ability to support a large foreign debt. Even if export growth is modest, this will not undermine the confidence in the Soviet Union as a reliable borrower. The political side of the matter is more complicated. People in America are wondering whether Western interests will be served by making future credit conditional upon political changes. There is no unanimous opinion on this matter.

The loans from foreign banks to the Soviet Union aroused heated controversy in the U.S. administration and "deep concern" in Congress. The Senate called for studies of the national security implications of these loans. Some legislators and administration officials in charge of military affairs expressed the fear that the new funds would allow the Soviet Union to maintain its military strength. "It would be a tragic mistake if Western capital were to relieve the USSR of the need to choose between guns and butter," said Democratic Senator Bill Bradley from the State of New Jersey.<sup>9</sup> While the Pentagon is arguing that the extension of loans "will help the Soviet Union achieve its global goals, contrary to the American interest," the State Department and Department of the Treasury are not inclined to force America's allies to impose restrictions on the free flow of capital.

During the 1988 campaign the Republican Party suggested the elimination of the "commercial loans which provide the Soviet Union with the hard currency it needs so desperately in order to bolster its weak economy and create more favorable conditions for illegal Soviet purchases of American technology" and asked the allies to be discerning in the expansion of credit and financial ties with the USSR.<sup>10</sup>

When U.S. Secretary of State James A. Baker was asked about the terms on which the United States might extend loans and credit to the USSR, he replied that "the United States wants Gorbachev to succeed in his attempts to change the Soviet system," but it would have to avoid "unrestricted offers of subsidies and commercial credits to Moscow" and would have to take a prudent approach to the USSR in general.<sup>11</sup>

Many experts believe that the administration, under congressional pressure, could force the European allies and Japan to provide more detailed information about the amounts and purposes of the loans to the Soviet

Union and draw up some basic guidelines to cover this matter in the OECD framework. In all probability, however, Washington's efforts to curtail this process will be fiercely resisted by the West European and Japanese banks interested in crediting one of the "most conscientious borrowers in the world."

**Policy on imports from USSR:** The Jackson-Vanik amendment to the Trade Act, linking the granting of most-favored-nation status to socialist countries with the observance of human rights, has severely impeded sales of Soviet goods in the U.S. marketplace for 15 years now.

It has been criticized by the American academic community several times. One of the arguments the experts cite is the potential benefit of bilateral trade.

Their opponents, however, assert that the prospects have been greatly exaggerated. The improvement of trade, according to some Western economists, is unlikely because of the weak Soviet currency, the inadequate competitiveness of Soviet products, and the fundamental difference in economic mechanisms. They feel that even if the Soviet Union should be granted most-favored-nation status, bilateral trade would not exceed 5-7 billion dollars a year.

On the other hand, there is also the common opinion that even if most-favored-nation status does not increase trade volume appreciably, the repeal of the Jackson-Vanik amendment would have important political implications and would promote cooperation.

The question has now moved to the forefront because the Jewish lobby, inspired by the rise in emigration, has expressed its intention to support the suspension of the Jackson-Vanik amendment for a year. In particular, the members of the influential American Jewish Congress voiced their support for the proposed suspension.

**Liberalization of export controls:** In 1950 the countries united in the Coordinating Committee for Multilateral Export Control (CoCom) reached an agreement on sales of technology used in civilian branches to the USSR and on the prohibition of transfers of technology of a strategic nature. The discussion of exports of "dual-purpose" goods—i.e., those that could be used for civilian and military purposes—in CoCom was highly specific: Exceptions to the general ban were considered, and supplementary decisions were made in cases in which the exporting country or company could supply proof that the use of the product would not pose an eventual threat to the West. According to the rules of the committee, exports of specific types of technology by members have to be approved by all members, and the United States can veto the transfer of any "potentially dangerous" technological product.

At the beginning of the 1980s the American administration was insisting on the cancellation of the procedure by which items were periodically excluded from the list of controlled "dual-purpose" goods. Under pressure from the European allies wanting to develop commercial

contacts with the USSR, and in response to the growing criticism of the administration within the United States for its inappropriate reactions to the changes in Soviet domestic and foreign policy, Bush ordered an inter-agency investigation in February 1989 to consider the cancellation of the "no exceptions" rule. As a result, at the end of May the American President announced his decision to cancel export restrictions of this kind on trade with the USSR.

Other U.S. moves to relax export controls included the Department of Commerce's authorization of sales of many types of personal computers, most of which were produced in the mid-1980s, to the USSR and the countries of Eastern Europe. The restrictions on newer systems remained in force, however.

Bush had already expressed his views on the development of relations with the Soviet Union during the campaign: "I think we should keep an eye on perestroika and glasnost, welcoming them but always keeping our eyes open and displaying prudence, because the Soviet changes are not fully in place yet."<sup>12</sup>

The results of the lengthy analytical work involved in drafting the basic principles of the administration's approach to the USSR were set forth by Bush in his speech at the University of Texas in May. He did not announce any fundamental changes in American strategy in relations with the USSR.

More positive and realistic changes in the Bush administration's approach to Soviet-American relations were revealed later, when Secretary of State Baker addressed the members of the New York Foreign Policy Association in October 1989. Regrettably, however, there is still not reason to feel certain of the change in the American position on trade with the USSR.

Of course, it is not a simple matter to change stereotypes which have been cultivated for decades. In this respect, the President's prudence is understandable, but something else is also obvious. The positive tendencies in world affairs and our perestroika will serve as a solid foundation for the development of relations in all areas, including foreign economic relations.

#### Footnotes

1. INTERNATIONAL HERALD TRIBUNE, 8 December 1988.
2. THE NEW YORK TIMES, 29 November 1988.
3. Ibid., 17 January 1989.
4. VITAL SPEECHES OF THE DAY, 15 July 1988, p 587.
5. A protocol extending the 10-year agreement on the promotion of economic, industrial, and technical cooperation to new forms of economic ties, including joint ventures, was signed at the 10th session of the joint Soviet-American Commission on Trade in April 1988.

#### 6. THE NEW YORK TIMES, 10 April 1988.

7. See the decree of the CPSU Central Committee and USSR Council of Ministers of September 1987, the order of the USSR Ministry of Finance of November 1987, the decree of the USSR Council of Ministers of December 1988, and others.

#### 8. THE NEW YORK TIMES, 18 October 1988.

9. Ibid., 21 October 1988.

10. Ibid., 15 November 1988.

11. Ibid., 18 January 1989.

12. Ibid., 26 September 1988.

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#### BOOK REVIEWS

##### On the Way to the United Market

904M0009J Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 2, Feb 90 (signed to press 16 Jan 90) pp 143-144

[Review by M. Klinova of book "L'Euro-enterprise" by A. Babeau, G. de Bernis, A. Bonnafous et al, with an introduction by B. Berlioz-Houin, Paris, Economica, 1988, 267 pages]

[Text] The prospect of a unified market of the European Community with the free movement of goods, services, capital, and manpower is influencing all facets of economic affairs in the countries of the community, motivating their ruling circles and academic community to pay special attention to the questions of economic management under these new conditions. These relevant questions are addressed in the subject of this review, "L'Euro-enterprise," a book by a group of prominent European scholars.

The first of the two sections in the work is an analysis of the general economic aspects of European integration, and the second discusses the management of the regional economy and possibilities for the development of different forms of "Euro-enterprise."

It is particularly interesting that the authors underscore the interdependence of North-South and East-West economic processes and suggest several alternative scenarios of European development, weighing the drawbacks and advantages of each. They attempt to answer the question of how the political and economic division of the Old World can be surmounted and how its dynamic and progressive development as a single economic entity can be secured in the future. This plan has many features in common with the idea of the "common European home."

The title of the book and the nature of the issues the authors address reflect an awareness of the urgent need for intra-regional cooperation in business for the purpose of correcting Western Europe's tendency to lag behind the two other "power centers" in the capitalist world in terms of several basic economic indicators, primarily per capita GNP—17,392 ecu in the United States, 13,334 ecu in Japan, and 11,765 ecu in Western Europe in the middle of the 1980s (p 35).

The authors are justified in associating this lag with the factor of separation. In spite of indisputable successes in integration, the European Community is still "more the sum of its individual markets than a single market" (p 37). This is a common point of view in the West. The researchers feel that this can be corrected by further European integration, with the concentration of efforts in three areas: the reinforcement and improvement of economic ties within the EC framework; the intensification of cooperation with the states belonging to the European Free Trade Association; the expansion of economic contacts with the CEMA countries.

The Soviet reader will probably be most interested in the last of these areas, because this is where the economic interests of Western Europe and Eastern Europe converge. The absence of close cooperation with socialist neighbors will leave many opportunities for the more efficient production and distribution of goods throughout Europe unutilized. In 1986, for example, only 3.7 percent of the EC's imports came from Eastern Europe. The EC countries exported 3.4 percent of their products there (p 47). At this time, however, any discussion of an equal partnership would be difficult: Western firms are interested in the socialist states primarily as sources of raw material and as sales markets for their finished products.

The obstacles to the intensification of mutually beneficial East-West exchange include the limited import capabilities and acute currency shortage of the socialist countries (largely as a result of the non-convertibility of their own monetary units) and the poor quality and low technical level of their products. The development of joint production and division of labor are also being impeded by the non-observance of delivery schedules and the lack of information about projected output and existing production capacities.

The work does say, however, that the potential for broader economic cooperation should be evaluated separately for each state in Eastern Europe. For example, the authors of the book feel that Hungarian enterprises are the most reliable partners for the development of this cooperation. It is symbolic that the definition of the term "Euro-enterprise," used as the title of the book, is provided by Professor E. Kemenes, a Hungarian economist.

He defines it as an autonomous economic unit operating within the confines of the European economic area, consisting of the western and eastern halves of Europe,

regardless of the political and economic boundaries separating them (p 51). The "European" nature of the firm stems from the scale of commodity exchange with the other half of the Old World, the national composition of capital, and the level of intra-European technological ties. The author regards the trans-European movement of capital, particularly in the form of direct investment and joint ventures, as an important channel for this kind of enterprise (p 58). The Economic Commission for Europe (ECE) is conducting a great deal of work within the UN framework to lay the legal, financial, and organizational basis for "Euro-enterprise" operations.

In view of the urgent need for the complete inclusion of the USSR in international division of labor, including division on the European level, we feel that Soviet economists should elaborate their own theory of joint enterprise in Europe. The book under review will give them sufficient food for thought in this area.

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#### Recent Publications

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[Text] Anikin, A.V., "Muza i Mamona. Sotsialno-ekonomicheskiye motivy u Pushkina" [The Muse and Mammon. Socioeconomic Motifs in Pushkin's Works], Moscow, Mysl, 1989, 255 pages.

Babkina, Z.V., "Zanyatost v sotsialisticheskoy ekonomike glazami Zapada" [The Western View of Employment in the Socialist Economy], Moscow, Ekonomika, 1989, 95 pages.

Blyumenau, D.I., "Informatsiya i informatsionnyy servis" [Information and Information Services], Leningrad, Nauka, 1989, 190 pages.

Bunich, P.G., "Novyye tsennosti" [New Values], Moscow, Nauka, 1989, 256 pages.

Bukharin, N.I., "Metodologiya i planirovaniye nauki i tekhniki. Izbrannyye trudy" [Scientific and Technical Planning and Methodology. Selected Works], edited by P.V. Volobuyev, Moscow, Nauka, 1989, 342 pages.

Golubovich, A.D. and Mikerin, G.I., "Ekonomicheskiy analiz deyatelnosti sovmestnykh predpriyatiy v mashinostroyenii" [Economic Analysis of Operations of Joint Ventures in Machine Building], Moscow, Mashinostroyeniye, 1989, 158 pages.

Yeliseyev, M.G., "Mezdu konfrontatsiyey i razryadkoy. SvDP v partiynoy sisteme FRG: problemy 'vostochnoy' politiki" [Between Confrontation and Detente. The FDP in the FRG Party System: Problems of "Eastern" Policy], Minsk, Universitetskoye, 1989, 335 pages.

"How Japanese Enterprises Work," abr., tr. from Japanese, edited by Ya. Monden et al, Moscow, Ekonomika, 1989, 262 pages.

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Kvasov, A.G., "Finansovyy kapital i finansovaya oligarkhiya Kanady" [Financial Capital and Financial Oligarchy in Canada], Moscow, Nauka, 1989, 136 pages.

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Malkov, V., "Mir i voyna: novoye myshleniye. Zametki voyennogo uchenogo" [Peace and War: The New Thinking. Comments of a Military Scholar], Moscow, Voenizdat, 1989, 191 pages.

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"Experience in Managing the Socialist Economy in Hungary," tr. from Hungarian, Moscow, Politizdat, 1989, 335 pages.

"Handbook on Direct Production and Scientific-Technical Ties of Associations, Enterprises, and Organizations of the USSR with Partners from Socialist Countries," Moscow, Vneshtorgizdat, 1989, 351 pages.

"Politicheskiye, obshchestvennyye i kulturnyye svyazi narodov SSSR i Gretsii. XIX-XX vv." [Political, Social, and Cultural Ties of the People of the USSR and Greece in the 19th and 20th Centuries], edited by G.L. Arsh, Moscow, Nauka, 1989, 271 pages.

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"Puls reform. Yuristy i politologi razmyshlyayut" [The Pulse of Reform. Comments by Jurists and Political Scientists], compiled by Yu.M. Baturin, Moscow, Progress, 1989, 248 pages.

Romanov, V.A., "Protiv gonki vooruzheniy i konfrontatsii na moryakh" [Opposition to the Arms Race and Naval Confrontation], Moscow, Mezhdunarodnyye otnosheniya, 1989, 262 pages.

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"Sovremennyy kapitalizm: sotsialno-politicheskiye problemy i protivorechiya NTR" [Contemporary Capitalism: The Sociopolitical Problems and Contradictions of the Scientific-Technical Revolution], edited by I.Ye. Guryev and N.D. Gauzner, Moscow, Nauka, 1989, 200 pages.

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"Uchet, kontrol i analiz v sisteme resursosberezeniya" [Accounting, Control, and Analysis in the Resource-Saving System], edited by M.Ya. Rozenberg and Z. Lauchik, Moscow, Finansy i statistika, 1989, 239 pages.

Filippov, A., "Trudnyy put v budushcheye. Afganskiye vstrechi, reportazhi i zametki raznykh let" [Hard Road to the Future. Afghan Meetings, Commentaries, and Notes from Various Years], Moscow, Nauka, 1989, 216 pages.

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### **Departmental Meeting and Election**

*904M0009L Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 2, Feb 90 (signed to press 16 Jan 90) pp 154-155*

[Text] Important intraorganizational matters—the elections of the directors of IMEMO [Institute of World Economy and International Relations] and IMRD [Institute of International Workers' Movement] of the USSR Academy of Sciences—were discussed at a general department meeting chaired by Corresponding Member of the USSR Academy of Sciences V.V. Zhurkin.

When Academician Ye.M. Primakov was elected chairman of the Soviet of the Union of the USSR Supreme Soviet and had to leave the office of IMEMO director, a competition was announced to fill the vacancy in accordance with the USSR Academy of Sciences Charter. Corresponding Member of the USSR Academy of Sciences V.A. Martynov was nominated to participate in the competition at a joint session of the academic council and the party, trade-union, and Komsomol committees of the institute. The nomination was approved by a secret ballot (in accordance with the resolution passed by the USSR Academy of Sciences Presidium on 17 November 1987), and the candidate was then recommended for election by the overwhelming majority of delegates at a specially convened conference of the IMEMO team.

The nomination of Corresponding Member of the USSR Academy of Sciences T.T. Timofeyev was approved in a similar procedure for the office of IMRD director (because his term was up and a competition had been announced).

The two candidates addressed the general meeting of the Department of Problems of World Economics and International Relations with brief descriptions of their programs of action. Martynov specifically mentioned the urgent need for the accurate formulation and thorough investigation of new and relevant issues in international economic and political relations and the quickest possible elimination of the numerous stereotypes and dogmas that are still firmly ensconced in the minds of our social scientists. The main function of the IMEMO team, he stressed, is the thorough analysis of methodological questions and the fundamental premises of Marxist-Leninist political economy. This presupposes the constant scrutiny of all changes, without exception, in today's interdependent and dynamic world in connection with the swift and eventful scientific-technical revolution and the latest features of the evolution of bourgeois societies and capitalism as a whole. The performance of this function requires the maintenance of an atmosphere in the institute representing the natural environment of scientific inquiry, an atmosphere of debate and the free competition of approaches, opinions, and points of view. It will be necessary to find, train, and promote promising young personnel. More attention should be paid to the mechanisms stimulating creative output and the organization of strict expert evaluations

of analytical works for the purpose of enhancing their effectiveness and quality. Although there is an emphasis on basic research in the institute, V.A. Martynov said, applied studies should be developed on a broader scale, including contracted projects which might be of tremendous practical value in the current difficult stage of the perestroika of Soviet society.

In his speech, T.T. Timofeyev began by pointing out the need for in-depth analyses of the subject matter connected with the interaction of common human interests and class goals in the development of mass social movements, with a view to the specific features of the interaction of the two world systems. The objective will be a thorough understanding of the specific reactions of various segments of the communist and labor movement to the introduction of the new political thinking and the changes and shifts in social structures and the main reference points of social thinking. Today it is important to intensify comparative studies and categorizations to the maximum, he stressed, and enhance the role and quality of forecasts of confrontations between labor and capital under the influence of the scientific-technical revolution. The entire group of factors influencing the stability of capitalist societies, the evolution of inter-ethnic relations, the processes of political pluralization and democratization, the civic activity of individuals and groups, and the thorough renewal of socialism requires timely disclosure and examination.

Academicians G.A. Arbatov and Ye.M. Primakov and corresponding members of the USSR Academy of Sciences V.V. Zhurkin and G.Kh. Shakhnazarov took part in the discussion of the nominations. By secret ballot, the general department meeting elected V.A. Martynov the director of IMEMO (unanimously) and T.T. Timofeyev the director of IMRD (by a vote of 9 to 2). Both decisions were approved by the USSR Academy of Sciences Presidium.

### **Brief Biographical Information**

Martynov, Vladlen Arkadyevich, born 14 December 1929 in Saratov, Russian, CPSU member, USSR Academy of Sciences corresponding member, doctor of economic sciences, professor. Graduated from Leningrad State University in 1952. Post-graduate work at same university from 1952 to 1955; senior instructor of political economy in Leningrad Engineering-Economics Institute from 1955 to 1957; scientific associate at IMEMO from 1957 to 1962; head of IMEMO Agrarian Affairs Sector from 1961 to 1971; institute deputy director since 1971 (acting director since June 1989).

Specialist in political economy of contemporary capitalism, economics of agroindustrial complex, and problems of scientific and technical progress. Author of several works and articles (more than 120 quires in all). Winner of USSR State Prize.

Timofeyev, Timur Timofeyevich, born 30 November 1928 in Ivanovo, Russian, CPSU member, USSR Academy of Sciences corresponding member, doctor of

historical sciences, professor. Graduated from Moscow State University (School of History) in 1950; post-graduate work at same university from 1951 to 1955; USSR Gosteleradio [State Committee for Television and Radio Broadcasting] correspondent, editor, and commentator from 1950 to 1956; senior scientific associate at IMEMO from 1956 to 1958; consulting editor of PROBLEMY MIRA I SOTSIALIZMA from 1958 to 1959; senior scientific associate, head of International Labor and Communist Movement Sector, and deputy director of IMEMO from 1959 to 1966. Director of Institute of International Workers Movement, USSR Academy of Sciences, since May 1966.

Specialist in studies of social movements, current socio-economic and political trends in various countries and the world as a whole, interaction of common human and class interests in labor movement, and influence of processes of socialist renewal on public thinking. Author of more than 200 academic and other works.

The general meeting accepted Y.M. Primakov's resignation from the office of department academic secretary and approved the appointment of Corresponding Member of the USSR Academy of Sciences V.V. Zhurkin as acting academic secretary of the Department of Problems of World Economics and International Relations.

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#### Chronicle of Institute Affairs

904M0009M Moscow MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA in Russian No 2, Feb 90 (signed to press 16 Jan 90) pp 156-157

[Text] The IMEMO [Institute of World Economy and International Relations] Center for Studies of Developing Countries and the Non-Aligned Movement held a working conference to discuss "The Developing Countries in the Socioeconomic Structures of Today's World. The Intensification of Differentiating Processes." It was attended by leading specialists from several academy institutes—the Oriental Studies, Africa, Latin America, and International Workers' Movement institutes—and VUZ's in Moscow and Leningrad.

Is the "Third World" still a unique socioeconomic entity today? Which factors are intensifying, and which are neutralizing, the differences between the liberated countries? In which areas is this differentiation most pronounced? What is the probable future status of this diverse world? These and other relevant topics were discussed in a free exchange of views.

Most of the people who attended the conference agreed that the structural, linear approach to the development of the "Third World" needs thorough reassessment. Different approaches will be required for the construction of a new development paradigm corresponding to

current realities. The proposed development of the concept of the "world-historic structure," combining the inter-structural and inter-civilizational approaches, warrants consideration in this context.

Some speakers noted that the rectification of underdevelopment is still the central problem in the "Third World" countries, but different points of view were expressed with regard to the criteria of developmental levels: the irreversibility of the transition from the industrial to the post-industrial society, the degree of economic integration, the level of technological development, or something else.

Most speakers stressed that the "Third World" can still be called a socioeconomic community in spite of the relative nature of this term. Some speakers, however, pointed out the mounting centrifugal tendencies here and suggested that the developing world was undergoing a process of "echelonization." This process has divided the "Third World" into at least three separate communities. The top echelon is represented by the "new industrial nations" or "mid-developed" countries, which have moved far ahead of most of the peripheral countries. The lowest echelon is represented by the least developed countries, where the most acute and virtually insoluble problems of underdevelopment are concentrated. Most of the young states occupy the position between these two groups. Speakers stressed that the least developed countries are losing their "viability" and that their future will depend largely on the kind of help the world community can offer them.

Some commented that the study of similarities and differences in the socioeconomic development of the socialist and developing states was an unjustifiably neglected sphere of theoretical analysis. In light of the objectives set by perestroika, the experience of some of the "peripheral" countries which have made so much progress in recent decades is of theoretical and purely practical value to us.

\* \* \*

Questions connected with the commercial cooperation of Soviet and West European enterprises and organizations were discussed at an institute seminar organized by the IMEMO Commercial Sciences Department in conjunction with one of Austria's largest banks—the Oesterreichische Landerbank. A group of Austrian businessmen, headed by Dr H. Kordt, Landerbank chairman of the board, came to Moscow to attend the seminar. More than 400 administrators and specialists from production associations, industrial and agrarian enterprises, foreign economic organizations, research and design establishments, VUZ's, joint firms and cooperatives in many parts of our country came to the gathering to meet the representatives of the Austrian business community.

The impressive display of interest in the guests was completely understandable: Austria is famous as the European crossroads of East-West trade routes. Landerbank, the second largest commercial bank in the country

(its assets were estimated at around 20 billion dollars at the end of 1988), not only invests large sums in international trade, but is also active as a middleman. It is constantly expanding the network of its overseas branches and agencies, which are now operating in Great Britain, the United States, Singapore, the GDR, China, and several other countries. The agency the bank plans to open in Moscow in 1990 could serve as a "window to Europe" for some of our enterprises which now have the right to operate directly on the foreign market. The seminar was the first serious move in this direction.

High-level executives of the banks and companies making up the Landerbank group, specialists from the Austrian Economic Research Institute and the Austrian trade representative's office in Moscow, and managers of several joint ventures related their experiences in commercial projects with Soviet participants. Experts from the State Foreign Economic Commission of the USSR Council of Ministers, the State Committee for Science and Technology, the Foreign Economic Bank, and other interested Soviet organizations and agencies also took part in the discussion.

Seminar speakers presented thorough analyses of modern methods of market analysis and the calculation of the economic impact of export-import operations and explained negotiating techniques and methods of financing and insuring foreign trade transactions. There was a useful exchange of opinions with regard to the export capabilities of domestic enterprises, the prospects for joint ventures in the USSR, the legal mechanisms for the regulation of trade and economic relations, and the mediating role of banks and chambers of commerce in their development. The highly professional manner and competence of the speakers made the dialogue informative and interesting. This was confirmed by the high number of Austrian commercial proposals on specific projects in the most diverse fields.

Arrangements will be made for more gatherings of this kind, where interested Soviet organizations and enterprises will be able to meet representatives of the Western business community.

\* \* \*

The institute was visited by a delegation of leaders of the Young Conservatives of Great Britain, headed by John Guthrie, the chairman of the organization. The delegates included Vice-Chairmen S. George, S. Castle, L. Harris, and P. Southern and former Chairman M. Wotherod. The leaders and active members of the organization have already gained some experience in politics and have undergone some training in political action by the younger generation and are now striving to play a real part in the planning and pursuit of the British Conservatives' policy line. During a conversation with the young scientists of IMEMO and young staff members from the International Workers' Movement Institute and the Europe Institute, the guests explained that most

of the Conservative Party leaders and politicians "graduated" from the Young Conservatives of Great Britain, which plays an important and prominent role in national sociopolitical affairs. The other topics that were discussed during the conversation included the present indications of the progress of perestroika in the Soviet Union, the problems and difficulties that are apparent in our country, the purpose and nature of the ongoing radical economic reform, the means and methods of its implementation, and the situation in the monetary sphere. There were arguments about the relative roles of government and market mechanisms in today's economy and about the social implications of the Conservative government's efforts to "de-nationalize" the British economy. Members of the delegation showed a keen interest in the distinctive features of socialist pluralism, the progress of the political reform in Soviet society, and the role it is playing in the development of the social activity and civic identity of the people.

The conversation took place in a constructive and businesslike atmosphere. Both sides expressed an interest in more meetings of this kind, an exchange of views between representatives of the public in the USSR and Great Britain for the purpose of stronger mutual understanding, and more effective cooperation in building the "common European home" on the foundation of peace, humanitarianism, and democracy.

\* \* \*

Professor Eichi Shindo from Tsukuba University (Japan) visited the editorial offices of MIROVAYA EKONOMIKA I MEZHDUNARODNYYE OTNOSHENIYA. He spoke with the chief editor, Doctor of Historical Sciences and Professor G.G. Diligenskiy, and the deputy chief editor, Candidate of Historical Sciences S.V. Chugrov. The guest displayed a sincere interest in the problems that are being solved in the USSR during this crucial phase of economic and sociopolitical development. The main topics of discussion were the methods of attaining economic objectives, the means and methods of improving the political system of the Soviet society and securing scientific and technical progress in industry and agriculture, the prospects for the stimulation of scientific and creative work, and the current state and distinctive features of public opinion in the country. There was also some discussion of the necessity for, and importance of, the enthusiastic promotion of broader ties and contacts between members of the academic community in the USSR and Japan for the sake of peace and friendship and of reasonable and constructive discussions of any problems that might arise between our countries and their resolution to our mutual advantage.

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